CALIFORNIA EARTHQUAKE AUTHORITY

Financial Statements
December 31, 2019 and 2018

Table of Contents

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Governing Board
California Earthquake Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the enterprise fund and fiduciary fund of the California Earthquake Authority (CEA) as of and for the years ended December 31, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the CEA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund and fiduciary fund of the California Earthquake Authority as of December 31, 2019 and 2018 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.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, in 2019, the CEA adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

To the Governing Board
California Earthquake Authority

Other Matters

Required Supplemental Information

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

Other Information

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

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

Plante & Moran, PLLC

June 2, 2020

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 $17.6 billion in claims-paying capacity at December 31, 2019. The CEA's claims-paying capacity is determined from the CEA's available capital, risk-transfer coverage, debt, and post-event prospective participating insurance company assessments. The CEA derives its capital from participating insurer capital contributions and from increases in net position generated from the sale of earthquake insurance policies. The CEA is exempt from federal income tax and from state insurance-premium tax. California Insurance Code section 10089.44 provides, in pertinent part, that *"... premiums collected by the authority shall be exempt from collection of the state's insurance premium tax, and the amount of tax foregone by the state shall be considered for all purposes a contribution by the state and its citizens to the capital and operating revenues of the authority."*

The CEA had 1,111,665 policyholders at December 31, 2019, 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. The CEA policy deductible ranges from 5 percent to 25 percent, which is determined by the homeowner, and will affect the premium amount paid.

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

Using 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, 2019 and 2018 have been prepared using accounting standards applicable to governmental entities. This financial report consists of five 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, consider 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. Statements of Fiduciary Net Position and Changes in Fiduciary Net Position report the net position restricted for the California Wildfire Fund (CWF) and the increase in net position for the year. The net position of the CWF is not reflected as part of the CEA net position because the CWF resources are not available to support CEA operations nor are CEA resources available to support CWF operations. Required information concerning the CWF can be found in Note 13.

Condensed Balance Sheets

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

	2019	2018	2017
Assets			
Current			
Cash and investments	$ 7,017,586,206	$ 6,610,077,544	$ 6,317,362,817
Premiums receivable, net	73,539,876	69,456,437	64,475,336
Prepaid reinsurance premium	20,840,283	19,854,113	17,291,299
Securities receivable	-	-	98,223,089
Other current assets	33,321,064	34,651,019	27,925,371
Total current assets	7,145,287,429	6,734,039,113	6,525,277,912
Noncurrent			
Capital assets	152,485	208,044	269,494
Total assets	7,145,439,914	6,734,247,157	6,525,547,406
Deferred Outflows of Resources	3,170,535	4,462,640	-
Total assets and deferred outflows of resources	7,148,610,448	6,738,709,797	6,525,547,406

Condensed Balance Sheets (Continued)

	2019	2018	2017
Liabilities			
Current			
Unearned premiums	423,593,078	417,448,201	373,456,016
Revenue bonds payable, currrent portion	-	105,000,000	105,000,000
Other current liabilities	22,652,987	12,623,686	47,627,416
Total current liabilities	446,246,065	535,071,887	526,083,432
Noncurrent			
Revenue bonds payable, noncurrrent portion	-	-	105,000,000
Other noncurrent liabilities	11,067,316	12,745,149	485,589
Total liabilities	457,313,381	547,817,036	631,569,021
Deferred Inflows of Resources	386,030	103,316	-
Total liabilities and deferred inflows of resources	457,699,411	547,920,352	631,569,021
Net Position			
Net investment in capital assets	152,485	208,044	269,494
Restricted, expendable	13,315,861	327,622,508	225,507,185
Unrestricted	6,677,442,691	5,862,958,893	5,668,201,706
Total net position	6,690,911,037	6,190,789,445	5,893,978,385
Total liabilities, deferred inflows of resources, and net position	$ 7,148,610,448	$ 6,738,709,797	$ 6,525,547,406

Assets

Total assets grew $411.2 million (6.1%) in 2019. The increase was primarily due to cash and investments, which grew $407.5 million (6.2%). The remaining increase is associated with premiums receivable of $4.1 million (5.9%).

In 2018, total assets grew $208.7 million (3.2%). The increase was primarily due to cash and investments, which grew $292.7 million (4.6%). This was offset by a decrease in the securities receivable, as it had a balance of zero compared to $98.2 million in 2017.

Deferred Outflows of Resources/Deferred Inflows of Resources

Deferred outflows of resources had a decrease of $1.3 million (29.0%) in 2019, and in increase in 2018 of $4.5 million (first year). Deferred inflows of resources increased by $282,714 (273.6%) and $103,316 (first year) in 2019 and 2018, respectively. These balances are associated with the recording of the CEA's proportionate share of net pension liability as reported to the CEA by the State Controller in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. See Note 9 in the financial statements for further discussion of these balances.

Condensed Balance Sheets (Continued)

Liabilities

Total liabilities decreased $90.5 million (16.5%) in 2019, driven by a decrease of $105.0 million (100.0%) in revenue bonds payable. See Note 3 in the notes to financial statements for further discussion of the bonds.

This decrease was offset by an increase in various other liability accounts, primarily unearned premiums, accounts payable, and loss and loss expense reserves. The liability with the largest percentage increase in 2019, was loss and loss expense reserves, which increased by $3.7 million (3214.1%) associated with the July 2019 earthquake event near Ridgecrest, California.

Total liabilities decreased $83.8 million (13.3%) in 2018. A decrease of $105.0 million (50.0%) in revenue bonds payable was due to debt repayments. The securities payable also had a balance of zero compared to $32.7 million in 2017.

These decreases were offset by an increase in unearned premiums of $44.0 million (11.8%) and other noncurrent liabilities of $12.2 million (2524.7%). The increase in unearned premiums was driven by the increase in written premiums in 2018. The increase in other noncurrent liabilities relates to the increase in the CEA's proportionate share of net pension liability during December 31, 2018. See Note 9 in the financial statements for further discussion of the pension liability.

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 $500.1 million (8.1%) and $296.8 million (5.0%) in 2019 and 2018, respectively.

The 2019 increase was primarily comprised of the underwriting profit of $238.0 million, premium tax contributions from the State of California of $19.2 million, and net investment income of $248.7 million. The 2018 increase was primarily comprised of the underwriting profit of $182.1 million, premium tax contributions from the State of California of $18.3 million, and net investment income of $92.7 million.

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

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

	2019		2018		2017
Underwriting income:					
Premiums written	$ 816,640,879		$ 778,340,984		$ 706,550,318
Less premiums ceded - reinsurance	(373,457,574)		(366,630,729)		(315,744,745)
Net premiums written	443,183,305	54.3%	411,710,255	52.9%	390,805,573
Change in net unearned premiums	(6,144,877)		(43,992,185)		(55,990,652)
Net premiums earned	437,038,428	53.5%	367,718,070	47.2%	334,814,921
Expenses:					
Loss and loss adjustment expenses	4,875,685		148,833		(84,914)
Other underwriting expenses	194,155,788		185,518,102		152,767,591
Total expenses	199,031,473	24.4%	185,666,935	23.9%	152,682,677
Underwriting profit	238,006,955	29.1%	182,051,135	23.4%	182,132,244
Non-operating income and expenses:					
Net investment income	248,719,233		92,745,186		38,062,720
Other non-operating income	20,426,997		18,774,366		20,319,770
Other non-operating expenses	(7,031,593)		(10,031,627)		(13,431,199)
Total non-operating income and expenses	262,114,637	32.1%	101,487,925	13.0%	44,951,291
Capital contributions	-		13,272,000		-
Increase in net position	500,121,592	61.2%	296,811,060	38.1%	227,083,535
Net position, beginning of year	6,190,789,445		5,893,978,385		5,666,894,850
Net position, end of year	$ 6,690,911,037		$ 6,190,789,445		$ 5,893,978,385

The increase in net position was $500.1 million in 2019, which resulted in a net profit margin of 61.2%, and was a $203.3 million (68.5%) increase compared to 2018. The increase in 2019 compared to 2018 was driven by net investment income increasing $156.0 million (168.2%) and net premiums earned increasing by $69.3 million (18.9%).

The investment income increase was driven by a positive change in unrealized gains/losses of $133.3 million and a $20.0 million increase in interest income. The net premiums earned increase was primarily driven by an increase in premiums written of $38.3 million and an increase in the change in unearned premiums of $37.8 million.

The increase in net position was $296.8 million in 2018, which resulted in a net profit margin of 38.1%, and was a $69.7 million (30.7%) increase compared to 2017. The increase in 2018 compared to 2017 was driven by net investment income increasing $54.7 million (143.7%) and capital contributions increase of $13.3 million (none in 2017).

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

The investment income increase was driven by a positive change in unrealized gains/losses of $31.7 million and a $24.4 million increase in interest income. The capital contribution increase was due to a new participating insurer joining the CEA in 2018. The underwriting profit increase was primarily driven by an increase in premiums written of $71.8 million and an increase in the change in unearned premiums of $12.0 million. This was offset by an increase in premiums ceded of $50.9 million due to the increase policy exposure.

Condensed Statements of Cash Flows

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

The cash flows of the CEA are summarized as follows:

	2019	2018	2017
Net cash provided by operating activities	$ 254,637,641	$ 237,095,275	$ 218,810,113
Net cash used in noncapital financing activities	(104,313,814)	(104,756,546)	(103,330,015)
Net cash provided by (used in) capital and related financing activities	7,742,000	5,530,000	(223,584)
Net cash (used in) provided by investing activities	(245,011,486)	(303,410,981)	235,817,328
Net (decrease) increase in cash and cash equivalents	(86,945,659)	(165,542,252)	351,073,842
Cash and cash equivalents, beginning of year	224,271,110	389,813,362	38,739,520
Cash and cash equivalents, end of year	$ 137,325,451	$ 224,271,110	$ 389,813,362

Cash from operating activities increased $17.5 million (7.4%) and increased $18.3 million (8.4%) in 2019 and 2018, respectively. The 2019 increase resulted primarily from an increase in cash received from premiums of $39.2 million, offset by an increase in payments for reinsurance of $12.1 million and an increase in payments for other operating expenses of $8.1 million. The 2018 increase resulted primarily from an increase in cash received from premiums of $87.2 million, offset by an increase in payments for reinsurance of $44.4 million and an increase in payments for other operating expenses of $19.3 million.

For the remaining cash flow activities, the biggest change from 2019 compared to 2018 was cash used in investing activities. Cash used in investing activities decreased by $58.4 in 2019 compared to 2018. This is mostly driven by timing as most investments are held until maturity. Purchase of investments decreased by $210.4 million in 2019, and proceeds from maturities decreased by $132.1 million, in addition to a decrease in investment income receipts of $19.7 million.

For 2018 compared to 2017, the biggest change in the remaining cash flow activities was a $5.8 million increase in capital and related financing activities and a decrease of $539.2 million in cash provided by investing activities. The $5.8 million increase for financing activities was primarily due to contributed capital payments of a new participating insurer of $5.5 million. The $539.2 million decrease in investing activities is driven by the net effect of proceeds of the maturities of investments compared to the purchases of investments.

Liquidity

The CEA maintains a liquid investment portfolio in order to be able to pay claims in the event of a large earthquake. As of December 31, 2019, 12.2% of the portfolio was scheduled to mature in 90 days or less, securities maturing between 91 days and one year accounted for 24.4% of the portfolio, while securities maturing between one to five years accounted for the remaining 63.4% of the portfolio, with a total portfolio modified duration of approximately 1.8 years. Based on earthquake modelers' results of analyzing the CEA's portfolio, management believes the CEA has sufficient liquidity to meet its obligations as they become due resulting from an earthquake or series of earthquakes. The CEA pays policyholder claims from its claims-paying capacity.

The following depicts the CEA's claims-paying capacity in effect as of December 31, 2019, in millions of dollars:

CEA capital available for claims	$	6,048
Risk transfer financial products		8,161
Revenue bonds		722
Policyholders Surcharge		1,000
Post-earthquake industry assessments (2nd Layer)		1,656
Total	$	17,587

Capital Assets and Debt Activity

Capital Assets

The CEA's investment in capital assets as of December 31, 2019 was $152,485 (net of accumulated depreciation). No major capital asset purchases were made in the current year.

Debt Administration

At December 31, 2019, the CEA had short-term debt obligations of $164,497 and long-term debt obligations of $926,503 associated with Senate Bill 84 loan payable. 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

The California economy showed improvement in 2019. The unemployment rate in California went from 4.1% at the end of December 31, 2018 to 3.9% at the end of December 31, 2019. The job gains in 2019 contributed to a record job expansion in California of 118 months, surpassing the long expansion of the 1960s. The CEA continues to experience year over year growth in policy counts. As of December 31, 2019, CEA policyholders increased 5.8% from December 31, 2018, and the CEA continues to market and educate consumers about earthquake insurance. The growth in 2019 was most likely a result of increased awareness of earthquake risk and recent catastrophic events in North America, including the July 2019 earthquake near Ridgecrest, California and major natural disasters elsewhere in the world; along with the improved California economy.

Current Economic Factors and Conditions (Continued)

The large-scale COVID-19 pandemic, that started in early 2020, is slowing the US economic activity as millions practice social distancing to stem the spread of the virus. As a result, companies and individuals are either currently experiencing or anticipating significant constraints on cash and working capital, including potential liquidity challenges. As of March 31, 2020, CEA's policyholders increased .24% from December 31, 2019. Cash flow scrutiny will be crucial in the days and months ahead, as will the speed at which the $2 trillion US economic stabilization package that passed on March 27, 2020 starts to flow through the economy. We will continue to monitor our liquidity needs and ability to access capital markets. Operationally, our financial reporting systems, internal control over financial reporting and disclosure controls and procedures continue to operate effectively despite a remote workforce. Management will continue to monitor the ongoing situation.

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, 2019 and 2018

	2019	2018
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and investments:		
Cash and cash equivalents	$ 128,649,686	$ 157,085,080
Restricted cash and equivalents	8,675,765	67,186,030
Restricted investments	-	360,913,199
Investments	6,880,260,755	6,024,893,235
Total cash and investments	7,017,586,206	6,610,077,544
Premiums receivable, net of allowance for doubtful accounts of $ 6,156,102 and $ 5,346,462	73,539,876	69,456,437
Capital contributions receivable	-	7,742,000
Interest receivable	27,711,837	25,314,888
Prepaid reinsurance premium	20,840,283	19,854,113
Prepaid transformer maintenance premium	3,783,920	1,268,123
Other current assets	1,825,307	326,008
Total current assets	7,145,287,429	6,734,039,113
Noncurrent assets:		
Capital assets, net	152,485	208,044
Total assets	7,145,439,914	6,734,247,157
Deferred Outflows of Resources		
Related to pensions	3,170,535	4,462,640
Total assets and deferred outflows of resources	$ 7,148,610,448	$ 6,738,709,797

CALIFORNIA EARTHQUAKE AUTHORITY

Balance Sheets
As of December 31, 2019 and 2018 (Continued)

	2019	2018
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Unearned premiums	$ 423,593,078	$ 417,448,201
Accounts payable and accrued expenses	15,006,680	10,420,749
Loss and loss expense reserves	3,815,000	115,114
Compensated absences - current portion	546,259	450,701
Securities payable	3,120,551	-
SB 84 loan payable - current portion	164,497	164,497
Revenue bond payable - current portion	-	105,000,000
Revenue bond interest payable	-	1,472,625
Total current liabilities	446,246,065	535,071,887
Noncurrent liabilities:		
SB 84 loan payable	926,503	926,503
Net pension liability	9,621,334	11,070,484
Compensated absences	519,479	748,162
Total liabilities	457,313,381	547,817,036
Deferred Inflows of Resources		
Related to pensions	386,030	103,316
Total liabilities and deferred inflows of resources	457,699,411	547,920,352
Net Position		
Net investment in capital assets	152,485	208,044
Restricted, expendable	13,315,861	327,622,508
Unrestricted	6,677,442,691	5,862,958,893
Total net position	6,690,911,037	6,190,789,445
Total liabilities and deferred inflows of resources, and net position	$ 7,148,610,448	$ 6,738,709,797

CALIFORNIA EARTHQUAKE AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	2019	2018
Underwriting income:		
Premiums written	$ 816,640,879	$ 778,340,984
Less premiums ceded - reinsurance	(373,457,574)	(366,630,729)
Net premiums written	443,183,305	411,710,255
Change in unearned premiums	(6,144,877)	(43,992,185)
Net premiums earned	437,038,428	367,718,070
Operating expenses:		
Loss and loss adjustment expenses	4,875,685	148,833
Participating insurer commissions	81,673,616	77,838,382
Participating insurer operating costs	26,346,131	25,280,833
Reinsurance broker commissions	2,800,000	2,800,000
Premium taxes	19,202,293	18,301,952
Other underwriting expenses	64,133,748	61,296,935
Total operating expenses	199,031,473	185,666,935
Underwriting profit	238,006,955	182,051,135
Non-operating income and expenses:		
Net investment income	248,719,233	92,745,186
Other income	478,489	468,364
Grant revenue	746,215	4,050
Grant expenses	(746,215)	(18,626)
Investment income on bond proceeds, net of related expenses	1,680,322	1,262,291
Mitigation Fund expenses	(1,665,700)	(2,375,292)
California Residential Mitigation Program contribution	(6,300,000)	(8,900,000)
State of California premium tax contribution	19,202,293	18,301,952
Total of non-operating income and expenses	262,114,637	101,487,925
Contributed capital	-	13,272,000
Increase in net position	500,121,592	296,811,060
Net position, beginning of year	6,190,789,445	5,893,978,385
Net position, end of year	$ 6,690,911,037	$ 6,190,789,445

CALIFORNIA EARTHQUAKE AUTHORITY

Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from premiums	$ 812,557,440	$ 773,359,883
Cash payments for premiums ceded - reinsurance	(376,959,541)	(364,821,815)
Cash payments for operating expenses	(152,319,873)	(144,150,355)
Cash payments to employees for services	(28,640,385)	(27,292,438)
Net cash provided by operating activities	254,637,641	237,095,275
Cash flows from noncapital financing activities:		
Repayment of revenue bonds	(105,000,000)	(105,000,000)
Interest paid on revenue bonds	(3,035,513)	(6,148,039)
Interest income on revenue bonds proceeds	3,243,210	5,937,705
Grant revenue	746,215	4,050
Grant expense	(746,215)	(18,626)
Other income	478,489	468,364
Net cash used by noncapital financing activities	(104,313,814)	(104,756,546)
Cash flows from capital and related financing activities:		
Contributed capital receipts	7,742,000	5,530,000
Net cash provided by capital and related financing activities	7,742,000	5,530,000
Cash flows from investing activities:		
Proceeds from maturities of investments	1,717,474,394	1,849,553,785
Purchases of investments	(2,078,195,740)	(2,288,599,749)
Investment income	118,526,106	138,296,797
Investment expense	(2,816,246)	(2,661,814)
Net cash used in investing activities	(245,011,486)	(303,410,981)
Net decrease in cash and cash equivalents	(86,945,659)	(165,542,252)
Cash and cash equivalents, beginning of year	224,271,110	389,813,362
Cash and cash equivalents, end of year	$ 137,325,451	$ 224,271,110
Reconciliation to balance sheet:		
Cash and cash equivalents	$ 128,649,686	$ 157,085,080
Restricted cash and equivalents	8,675,765	67,186,030
Cash and cash equivalents, end of year	$ 137,325,451	$ 224,271,110

CALIFORNIA EARTHQUAKE AUTHORITY

Statement of Cash Flows (Continued)
For the Years Ended December 31, 2019 and 2018

		2019		2018
Reconciliation of operating income to net cash provided by operating activities:				
Underwriting profit	$	238,006,955	$	182,051,135
Adjustments to reconcile underwriting profit to net cash provided by operating activities:				
Depreciation on equipment		55,560		61,451
Premium tax expense		19,202,293		18,301,952
Contribution to California Residential Mitigation Program		(6,300,000)		(8,900,000)
Mitigation Fund expenses		(1,665,700)		(2,375,292)
Net periodic pension expense		125,669		7,802,160
Changes in operating assets and liabilities:				
Premiums receivable		(4,083,439)		(4,981,101)
Unearned premiums		6,144,877		43,992,185
Other assets		(1,499,299)		39,082
Prepaid reinsurance premium		(986,170)		(2,562,814)
Prepaid transformer maintenance premium		(2,515,797)		4,371,728
Claim and claim expense reserves		3,699,886		20,140
Accounts payable and accrued expenses		4,585,931		(942,005)
Compensated absences payable		(133,125)		216,654
Net cash provided by operating activities	$	254,637,641	$	237,095,275

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 $127.9 million in 2019, and a decrease of $5.4 million in 2018. 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 $19.2 million and $18.3 million in 2019 and 2018, respectively.

CALIFORNIA EARTHQUAKE AUTHORITY

Statement of Fiduciary Net Position – Fiduciary Funds of California Wildfire Fund
As of December 31, 2019

	Custodial Funds
Assets	
Cash and investments:	
Cash and cash equivalents	$ 170,912,277
Investments	4,599,954,544
Total assets	$ 4,770,866,821
Liabilities and Net Position	
Liabilities:	
Securities payable	$ 447,511
Net position:	
Restricted for CWF	4,770,419,310
Total liabilities and net position	$ 4,770,866,821

CALIFORNIA EARTHQUAKE AUTHORITY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds of California Wildfire Fund
For the Period from Inception of July 12, 2019 to December 31, 2019

	Custodial Funds
Additions:	
Deposits from CWF	$ 4,789,829,741
Deductions:	
Withdrawals by CWF	19,410,431
Increase in net position	4,770,419,310
Net position, at inception	-
Net position, end of year	$ 4,770,419,310

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 was 3.25% throughout 2018 and changed to 3.21% on July 1, 2019 as a result of the most recent form filing approved by the Department of Insurance. The producer commission is equal to 10% 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, 2019, there are 24 participating insurers of which 19 insurers are writing CEA policies. Four participating insurers account for 69% 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.

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

The Custodial Fund accounts for the activities of the California Wildfire Fund (CWF). As a separate fiduciary fund, classified as a custodial fund for the asset holdings of the CWF, the custodial fund reports net position restricted for payment or reimbursement of eligible claims from a covered wildfire by a utility company which participates in the CWF. As a result, the funds are not available to support CEA operations. The reporting focus of the custodial fund is on net position and changes in net position and employs accounting principles similar to the CEA, as described above. As further described in Note 13, the financial statements of the custodial fund are reported using the economic resources measurement focus and the accrual basis of accounting.

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).

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

Investments

Investments consist primarily of certificates of deposit, U.S. treasuries, U.S. agencies, and commercial paper, as authorized by California Insurance Code (Code) section 10089.6. All investments are reported at fair value in the balance 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 the majority of investments to maturity.

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. Amica Mutual Insurance Company (Amica) joined the CEA and started transferring earthquake exposure to the CEA in August 2018 and has thus now completed the transfer of its residential earthquake insurance exposure to the CEA.

CEA staff analyzed Amica’s earthquake insurance risk profile as of December 31, 2019, and determined that the addition of Amica’s business was more likely to produce losses for the CEA, or as likely to produce greater losses for the CEA, than would a book of existing CEA business of similar size. Therefore, the Governing Board required Amica to pay a first annual risk-capital surcharge in the amount of $112,000.

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.

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

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 $3,815,000 and $115,114 in unpaid claims reported as of December 31, 2019 and 2018, respectively.

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

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, 2019, participating insurer capital contributions totaled $791 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, 2018, 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. The market share as of December 31, 2019 was unavailable as of the date the financial statements were issued.

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

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

Net Position

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

Income Taxes

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

State of California Premium Tax

California Insurance Code section 10089.44 provides that "*Notwithstanding any other provision of law, premiums collected by the Authority shall be exempt from collection of the state's insurance premium tax, and the amount of tax foregone by the state shall be considered for all purposes a contribution by the state and its citizens to the capital and operating revenues of the authority.*" As a result, CEA is exempt from remitting state premium tax. Premium tax contributions from the State of California were $19,202,293 and $18,301,952 for the years ended December 31, 2019 and 2018, respectively, which offset the related operating expenses.

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.

Pension Liability

All CEA civil-service employees participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's Comprehensive Annual Financial Report as a fiduciary component unit. The portion of the present value of projected benefit payments to be provided to civil-service employees attributable to past periods of service less CEA's fiduciary net position is recorded as a liability. The CEA is using the measurement date as of June 30, 2018, which is the most recent information available.

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

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheets will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until a future period. Deferred inflows of resources represent an acquisition of net position that will be recognized as an inflow of resources (revenue) in a future period. Deferred outflows and inflows of resources as of December 31, 2019 related to pension results from the actuarially determined liability and pension contributions made after the measurement date.

Upcoming Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease asset and liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. GASB Statement No. 87 is required to be adopted for years beginning after December 15, 2019 (June 15, 2021 after extension with GASB Statement No. 95). The CEA does not expect this standard to have a significant impact on the financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain disclosures related to debt, including direct borrowing and direct placements*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. GASB Statement No. 88 is required to be adopted for years beginning after June 15, 2018 (June 15, 2019 after extension with GASB Statement No. 95). The CEA has determined that the impact would be enhanced footnote disclosures within the financial statements. New short-term debt was issued in 2020, which may require these additional disclosures, and will be evaluated by management for proper reporting disclosures as part of the preparation of the financial statements ending December 31, 2020.

Adopted Accounting Pronouncement

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement apply to the financial statements of all state and local governments. This Statement will enhance the consistency and comparability of fiduciary activity reporting by governments. This Statement is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. As a result, this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement 84 is required to be adopted for years beginning after December 15, 2018 (December 15, 2019 after extension with GASB Statement No. 95). The CEA was named the interim administrator of the California Wildfire Fund (CWF) in July 2019, see Note 13.

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

Management determined that early adoption of GASB 84 during fiscal year 2019 was necessary to fully disclose the CWF activity and present a statement of fiduciary net position and a statement of changes in fiduciary net position.

2. Cash and Investments

As of December 31, 2019 and 2018, the CEA had the following cash and investments:

December 31, 2019

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

December 31, 2018

	Investment Maturities (in Years)					
	Less Than 1	1-2	2-3	3-4	4-5	Total
U. S. Treasuries	$1,033,542,131	$1,774,746,453	$1,401,712,564	$1,244,727,646	$ 929,153,462	$ 6,383,882,256
U. S. Agencies	134,426,745	-	-	-	-	134,426,745
Commercial Paper	30,701,596	-	-	-	-	30,701,596
Cash	61,066,947	-	-	-	-	61,066,947
Total	$1,259,737,419	$1,774,746,453	$1,401,712,564	$1,244,727,646	$929,153,462	$ 6,610,077,544

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%

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

With the issuance of the series 2014 revenue bonds, the CEA was 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 also was required to deposit 1/12th of the annual principal payment by the 15th of each month into a trust account. Such amounts were held in restricted cash, cash equivalents and investments as of December 31, 2018. The 2014 revenue bonds were paid off as of December 31, 2019.

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 3 years. As of December 31, 2019, the CEA's combined portfolio had a maximum modified duration of 1.8 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, 2019, 98% of the portfolio consisted of U.S. Treasuries and 2% of the portfolio consisted of U.S. Agencies, commercial paper and cash.

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

Security Type	Moody's*	Standard & Poor's*
US Treasury	Aaa	AA+
Federal Home Loan Mortgage Corporation	Aaa	AA+
Fannie Mae	Aaa	AA+
Chevron Corporation	Aa2	AA
Coca Cola	A1	A+
Pfizer Inc.	A1	AA-
Toyota Motor Credit Corporation	A1	AA-
Societe Generale North America	NR	NR
Mitsubishi UFJ Financial Group	A1	A
Credit Agricole Corporation	Aa3	A+

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

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, 2019 and 2018 approximately $9.0 million and $60.8 million, respectively, of CEA deposits were not covered by FDIC insurance.

2. Cash and Investments (Continued)

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 investment income on bond proceeds, net of related expenses on the statements of revenues, expenses, and changes in net position.

Investment income for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
U.S. agency securities	$ 2,231,942	$ 1,651,416
Commercial paper	1,330,213	1,069,967
U.S. treasuries	123,303,259	104,035,916
Interest income	126,865,414	106,757,299
Change in fair value of investments	127,913,166	(5,412,594)
Less investment expenses	(2,816,137)	(2,661,814)
Net investment income	$ 251,962,443	$ 98,682,891

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

	2019	2018
Investment income on bond proceeds	$ 3,243,210	5,937,705
Net investment income	248,719,233	92,745,186
	$ 251,962,443	$ 98,682,891

The change in fair value of investments for the years ended December 31, 2019 and 2018 are calculated as follows:

	2019	2018
Fair value of investments at the end of year	$ 6,880,260,755	$ 6,385,806,434
Add: Proceeds of investments matured	1,717,474,394	1,786,063,785
Add: Amortization of discounts/premium	(2,707,564)	5,759,014
Less: Chg in realized gain/loss	9,139	379,558
Less: Cost of investments purchased	(2,081,317,124)	(2,255,871,930)
Less: Fair value of investments at the beginning of year	(6,385,806,434)	(5,927,549,455)
Change in fair value of investments	$ 127,913,166	$ (5,412,594)

2. Cash and Investments (Continued)

Fair Value Measurement

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

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

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

As of December 31, 2019 and 2018, the CEA had the following recurring fair value measurements:

December 31, 2019

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Bonds:				
U.S. Treasuries	$ 6,839,180,991	$ -	$ -	$ 6,839,180,991
U.S. Agencies	-	-	-	-
Commercial Paper	-	41,079,764	-	41,079,764
Subtotal	6,839,180,991	41,079,764	-	6,880,260,755
Cash and cash equivalents:				
U.S. Treasuries	52,054,800	-	-	52,054,800
U.S. Agencies	68,818,185	-	-	68,818,185
Commercial Paper	-	7,747,046	-	7,747,046
Cash	8,705,420	-	-	8,705,420
Subtotal	129,578,405	7,747,046	-	137,325,451
Total	$ 6,968,759,396	$ 48,826,810	$ -	$ 7,017,586,206

2. Cash and Investments (Continued)

December 31, 2018

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Bonds:				
U.S. Treasuries	$ 6,324,469,706	$ -	$ -	$ 6,324,469,706
U.S. Agencies	49,022,445	-	-	49,022,445
Commercial Paper	-	12,314,283	-	12,314,283
Subtotal	6,373,492,151	12,314,283	-	6,385,806,434
Cash and cash equivalents:				
U.S. Treasuries	59,412,550	-	-	59,412,550
U.S. Agencies	85,404,300	-	-	85,404,300
Commercial Paper	-	18,387,313	-	18,387,313
Cash	61,066,947	-	-	61,066,947
Subtotal	205,883,797	18,387,313	-	224,271,110
Total	$ 6,579,375,948	$ 30,701,596	$ -	$ 6,610,077,544

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.

3. Long-Term Liabilities

The following is a summary of long-term liabilities, excluding the net pension liability (see footnote 9) as of December 31, 2019:

	Balance 1-Jan-19	Additions	Retirements	Balance 31-Dec-19	Due within One Year
Revenue Bonds	$ 105,000,000	$ -	$ (105,000,000)	$ -	$ -
SB 84 Loan	1,091,000	-	-	1,091,000	164,497
Compensated Absences	1,198,863	413,134	(546,259)	1,065,738	546,259
Total	$ 107,289,863	$ 413,134	$ (105,546,259)	$ 2,156,738	$ 710,756

3. Long-Term Liabilities (Continued)

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

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

The bonds 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.

The series 2014 revenue bonds are used to enhance claims paying capacity. The net proceeds from the revenue bonds were deposited into their respective Claims Paying Account and were used to purchase investments according to CEA's investment policy. The proceeds will only be used for future payments of earthquake policyholder claims and related loss adjustment expenses and may not be used to repay principal and interest of the debt. Revenue bond proceeds may be used for payment of claims after the CEA exhausts its capital available for claims and any capacity made available by reinsurance contracts. Repayment of debt does not affect the level of the Claims Paying Account.

The bonds were paid in full on July 1, 2019. Interest paid during the year was $2,945,250 and $5,890,500 for 2019 and 2018, respectively.

SB 84 Loan

Senate Bill 84 (SB 84), authorized a one-time $6 billion supplemental pension payment in 2017-18 to the California Public Employees' Retirement System (CalPERS), in addition to the actuarially determined annual contribution, which is to be apportioned to the five state retirement plans based on their share of the aggregate unfunded liability. The supplemental pension payment was funded through a cash loan from the Surplus Money Investment Fund and other state funds that accrue interest to the General Fund, which will be paid back by June 30, 2030, through the General Fund and other funds responsible for retirement contributions for the state's plans.

The total amount the CEA is responsible for paying is $1,273,000, which includes principal of $1,091,000 and interest of $182,000. The interest rate is valued at the quarter-to-date yield at the two-year constant maturity U.S. Treasury rate and will be payable in July of each year subsequent to 2019.

3. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity for the note payable at December 31, 2019 are as follows:

Year	Principal	Interest	Total
2020	$ 164,497	$ 37,503	$ 202,000
2021	167,835	34,165	202,000
2022	173,948	28,052	202,000
2023	181,111	20,889	202,000
2024	188,429	13,571	202,000
Thereafter	215,180	47,820	263,000
Total requirements	$ 1,091,000	$ 182,000	$ 1,273,000

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:

	2019	2018
Restricted:		
Mitigation fund	$ 13,315,861	$ 16,092,656
Claims paying account	-	311,529,852
Total restricted net position	$ 13,315,861	$ 327,622,508
Unrestricted:		
Contributed capital	$ 790,656,796	$ 790,656,796
Additional paid-in capital	293,795,461	274,593,169
Other unrestricted	5,592,990,434	4,797,708,928
Total unrestricted net position	$ 6,677,442,691	$ 5,862,958,893

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 reinsurance 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.

5. Risk Transfer (Continued)

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, 2019, and 2018 in accordance with these terms, CEA did not have a premium adjustment expense against the contracts.

In addition to single year contracts, CEA contracts with reinsurers on multi-year contracts with a single limit over a two, three or a five-year term. The first-year premium for the reinsurance limit is calculated on the full limit, while subsequent premiums would be calculated on the remaining limit, if there were a recoverable from the reinsurance contract. An annual adjustment to the retention is based on the contracted probability of loss.

At the end of 2019, CEA had a total of four multi-year term contracts with the option of two limits available for two events. Similar to other CEA multi-year contracts, the first-year premium for the reinsurance limit is 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, 2019, CEA ceded premiums to reinsurers under catastrophe excess-of-loss reinsurance contracts and provided maximum limits of $8.161 billion at varying attachment points, and 30% of the limit balance is fully collateralized.

6. Statutory Compliance

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

Effective January 1, 2015, statutory provisions pertaining to CEA operating expenses were amended by legislation, and items to be excluded from CEA operating expenses were spelled out in the new law, which (in effect) changed certain items of operating-expense inclusion, when compared to past practices of the CEA. The operating-expense cap was moved to 6% as defined in California Insurance Code section 10089.6, subdivisions (c) and (d), as amended by AB 2064. Operating expenses underneath this legislation totaled $35.0 million and $32.1 million for the years ended December 31, 2019 and 2018, respectively, and did not exceed 6% of premiums written in either year.

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.

7. Commitments and Contingencies (Continued)

The CEA leases office facilities and equipment under various non-cancelable operating lease agreements that expire through June 2024. Rental expense associated with the lease agreements was $1,304,342 and $1,175,631 for the years ended December 31, 2019 and 2018, respectively. Future minimum rental payments under these agreements are as follows:

Year	Amount
2020	$ 1,311,602
2021	1,345,921
2022	1,357,013
2023	1,344,878
2024	735,714
Total	$ 6,095,128

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, 2019, and 2018, the balance sheets include expendable restricted net position related to the Mitigation Fund totaling $13,315,861 and $16,092,656 respectively. The expendable restricted net position of the Mitigation Fund as of December 31, 2019 includes the potential annual transfer amount of $5,000,000, which is subject to actuarial review and formal approval of the CEA’s Governing Board as discussed in the previous paragraph.

9. Defined Benefit Pension Plan

Plan Description

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

9. Defined Benefit Pension Plan (Continued)

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

Benefits Provided

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

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

The Plans provisions and benefits in effect at December 31, 2019 and 2018, are summarized as follows:

	State Miscellaneous Tier 1			State Miscellaneous Tier 2	
	Prior to	On or after	On or after	Prior to	On or after
Hire date	January 15, 2011	January 15, 2011	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62	1.25% @ 65	1.25% @ 67
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	10 years of service	10 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67	50-65	52-67
Monthly benefits, as a % of eligible compensation	1.1% - 2.5%	1.092% - 2.418%	1% - 2.5%	0.5% - 1.25%	0.65% - 1.25%

Contributions

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

9. Defined Benefit Pension Plan (Continued)

The average active employee contribution rate and the employer's actuarially determined contribution rate, expressed as a percentage of payroll, for the measurement periods ended June 30, 2018 and 2017 were:

	June 30, 2018 (the measurement date)	
	Average Active Employee Contribution Rate	Employer Contribution Rate
State Miscellaneous Plan	6.766%	28.401%

	June 30, 2017 (the measurement date)	
	Average Active Employee Contribution Rate	Employer Contribution Rate
State Miscellaneous Plan	6.737%	26.734%

For the fiscal years ended December 31, 2019 and 2018, the contributions were $1,450,315 and $1,219,273, respectively.

Senate Bill 84 (SB 84), approved by the Governor on July 10, 2017, directed the State to contribute an additional $6 billion to the State Plans during fiscal year 2017-18 to pay down the unfunded accrued liability. Payments were made in three equal installments on or around October 31, 2017, January 16, 2018 and April 17, 2018. These payments are in addition to the actuarially required contributions for fiscal year 2018-19. The CEA's portion of the $6 billion loan is $1,273,000, which includes both principal and interest. See Note 3 for further information.

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

As of December 31, 2019 and 2018, CEA reported net pension liabilities for its proportionate share of the Plan's net pension liabilities in the amount of $9,621,334 and $11,070,484, respectively.

CEA's net pension liability is measured as the proportionate share of the net pension liability of the Plan. The net pension liabilities of the Plan as of December 31, 2019 are measured as of June 30, 2018, and the total pension liabilities for the Plan used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The net pension liabilities of the Plan as of December 31, 2018 are measured as of June 30, 2017, and the total pension liabilities for the Plan used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. CEA's proportionate share of the net pension liability of the Plan was based on the State Controller's Office (SCO) projection for CEA based on its pensionable compensation (covered payroll). The SCO calculated and provided CEA with their allocated pensionable compensation percentages by Plan. CEA's proportionate share of the net pension liabilities for the Plan as of June 30, 2018 and 2017 was .030627% and .030301%, respectively.

9. Defined Benefit Pension Plan (Continued)

For the years ended December 31, 2019, and 2018 CEA recognized pension expense of $1,575,984 and $7,802,160, respectively. CEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of December 31, 2019 and 2018:

	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
CEA's contributions subsequent to the measurement date	$ 2,100,020	$ -
Change in assumptions	867,898	318,999
Net differences between expected and actual experience	103,221	67,031
SB 84 Supplemental Contribution	-	-
Difference between projected and actual earnings on pension plan investments	99,396	-
	$ 3,170,535	$ 386,030

	December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
CEA's contributions subsequent to the measurement date	$ 1,721,132	$ -
Change in assumptions	1,287,979	-
Net differences between expected and actual experience	48,503	103,316
SB 84 Supplemental Contribution	1,091,000	-
Difference between projected and actual earnings on pension plan investments	314,026	-
	$ 4,462,640	$ 103,316

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

9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Actual Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Inflation	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance. Floor on Purchasing Power applies, 2.50% thereafter

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

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

9. Defined Benefit Pension Plan (Continued)

For the measurement period ended June 30, 2017 (measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability using standard update procedures. The June 30, 2016 and the June 30, 2017 total pension liabilities of all Plans were based on the following actuarial method and assumptions:

Actuarial Cost Method	Entry Age Normal
Actual Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Inflation	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance. Floor on Purchasing Power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Discount Rate

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

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

9. Defined Benefit Pension Plan (Continued)

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

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

(1) An expected inflation of 2.0% used for this period
(2) An expected inflation of 2.92% used for this period

For the measurement period ended June 30, 2017 (measurement date), the table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

9. Defined Benefit Pension Plan (Continued)

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

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

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

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

The following presents CEA's proportionate share of the net pension liabilities of the Plan as of June 30, 2017 (measurement date), calculated using the discount rate of 7.15% as well as what CEA's proportionate share of the net pension liabilities would be if it were calculated using a discount rate 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) that the current discount rate:

	State Miscellaneous		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
CEA's proportionate share of plan's net pension liability	$15,145,766	$11,070,484	$7,660,109

Pension Plan Fiduciary Net Position

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

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 2019 and 2018 was $280,000 and $275,000, respectively. The contributions are funded semi-annually and allocated to the CEA based on employee contributions.

Employees are fully vested in their account from the beginning of their employment. The CEA has no legal obligation for benefits under this Plan. Only the CEA Board has the authority to amend the Plan provisions. Employee contributions in 2019 and 2018 were $99,961 and $90,738, respectively. CEA's contributions in 2019 and 2018 were $254,319 and $230,857, respectively.

11. Risk Management

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

Policy Type	Policy Limits
Workers Compensation	$ 1,000,000
Financial Institution Bond	$ 1,500,000
Business Liability	$ 5,000,000
Director and Officers Liability	$ 5,000,000

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.

12. California Residential Mitigation Program

On August 16, 2011, the CEA entered into a Joint Powers Agreement (JPA) with the California Emergency Management Agency (Cal EMA) to create the California Residential Mitigation Program (CRMP) for the purpose of supplying grants, loans, and loan guarantees (and related assistance and incentives) to owners of dwellings in California. Since the inception of the agreement, CalEMA, the name of the organization, has changed to California Emergency Office of Emergency Services (Cal OES). The CRMP Governing Board is comprised of two representatives of each the CEA and Cal OES. Transfers approved by the CEA governing board from the CEA Mitigation Fund to the CRMP totaled $6,300,000 and $8,900,000 in 2019 and 2018, respectively.

In addition to the CEA governing board approved transfers, in 2019, the CEA Mitigation Fund (Mitigation) transferred to CRMP $62,980 in Federal Emergency Management Agency (FEMA) funds for the CRMP Earthquake Brace + Bolt program (CRMP EBB) which offers up to $3,000 for homeowners to seismically retrofit their houses. In 2018, Mitigation transferred to CRMP $18,626 in FEMA funds for the CRMP EBB.

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

13. Custodial Funds

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

Governance of the CWF is the responsibility of the newly created California Catastrophe Response Council (Council). The Council has 9-members, consisting of (1) the Governor; (2) the Insurance Commissioner, (3) the Treasurer, (4) the Secretary of Natural Resources, (5&6) two members appointed by the Senate and the Assembly, and (7, 8 & 9) three members of the public appointed by the Governor. The Council is charged with appointing a permanent "Administrator" for the CWF. Until such time as the permanent Administrator is appointed, the legislation provides for the CEA to act as the Interim Administrator. In April 2020, CEA was named the permanent administrator.

The 2019 Wildfire Legislation created a capitalization structure that will result in a total of $21 billion flowing into the CWF to provide claim-paying capacity after utility-caused wildfires. The $21 billion in funding is split between surcharges on utility ratepayers and contributions from the three large investor-owned utility companies in California. The legislation also required that the CWF be initially capitalized in the form of a short term $2 billion loan from the Treasurer's Surplus Money Investment Fund (SMIF), a fund within the State's Pooled Money Investment Account. Executive management has been working with the Department of Water Resources (DWR), State Treasurer's Office, Department of Finance, CPUC, municipal advisors, underwriters and law firms to prepare for the issuance of DWR bonds, backed by the CPUC-approved ratepayer surcharges. The proceeds of the issuance of DWR bonds will first be used to repay the SMIF loan, with any residual proceeds being deposited into the CWF to provide claim-paying liquidity. The bonds will be secured by a pledge of the ratepayer surcharges to be collected from ratepayers of the participating investor owned utility companies. Once the DWR bonds are repaid, the surcharge funds will flow directly into the CWF. During 2019, the CWF received $2,792,400,00 in contributions from two of the investor-owned utility companies.

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

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

Summary of Significant Accounting Policies

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

13. Custodial Funds (Continued)

Cash and Investments

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

	December 31, 2019 Investment Maturities (in Years)					
	Less Than 1	1-2	2-3	3-4	4-5	Total
U. S. Treasuries	$1,304,146,493	$ 838,393,289	$ 765,632,851	$ 867,923,802	$ 785,557,836	$4,561,654,271
Commercial Paper	79,276,869	-	-	-	-	79,276,869
Corporate Bond	93,156,006	-	-	-	-	93,156,006
Certificate of Deposit	10,002,500	-	-	-	-	10,002,500
Cash	15,296,278	-	-	-	-	15,296,278
Money Market	11,480,897	-	-	-	-	11,480,897
Total	$1,513,359,043	$ 838,393,289	$ 765,632,851	$ 867,923,802	$ 785,557,836	$4,770,866,821

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

Primary 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

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%

13. Custodial Funds (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses resulting from rising interest rates, the CWF'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 CWF's combined portfolio does not exceed a maximum modified duration of 3 years. As of December 31, 2019, the CWF's combined portfolio had a maximum modified duration of 2.1 years.

Credit Risk

The CWF 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, 2019, 96% of the portfolio consisted of U.S. Treasuries and 4% of the portfolio consisted of commercial paper, corporate bond, certificate of deposit, cash, and money market funds.

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

Security Type	Moody's*	Standard & Poor's*
US Treasury	Aaa	AA+
Federal Home Loan Mortgage Corporation	Aaa	AA+
Fannie Mae	Aaa	AA+
Chevron Corporation	Aa2	AA
Coca Cola	A1	A+
Pfizer Inc.	A1	AA-
Toyota Motor Credit Corporation	A1	AA-
BNP Paribas	Aa3	A+
American Honda Financial Corporation	A3	A
Thunder Bay LLC	NR	NR
Liberty Street Corporation	NR	NR
Walt Disney Corporation	A2	A-
Mitsubishi UFJ Financial Group	A1	A
JP Morgan Securities LLC	Aa3	A+
John Deere	A2	A
General Dynamic	A2	A
HSBC USA Inc.	A2	A-
Nevada Power Corporation	Baa1	A
Philip Morris	A2	A
Boeing	A3**	A1**

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

**In December 2019, the bond was downgraded to A3/A1, which is out of compliance. The decision was made to hold the security until it matured on 2/15/2020.

13. Custodial Funds (Continued)

Concentration of Credit Risk

There is no concentration of investments in any one non-U.S. Governmental issuer, which is not explicitly guaranteed, that represents 5% 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, the CWF will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The CWF has no policy that would limit the exposure to custodial credit risk for deposits. At December 31, 2019 approximately $15.0 million of CWF deposits were not covered by FDIC insurance.

Investment Income

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

Investment income for the year ended December 31, 2019 is as follows:

Interest income	25,843,996
Change in fair value of investments	(9,809,764)
Less investment expenses	(670,355)
Net investment income	$ 15,363,877

Fair Value Measurement

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

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

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

13. Custodial Funds (Continued)

As of December 31, 2019, the CWF had the following recurring fair value measurements:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Bonds:				
U.S. Treasuries	$ 4,423,061,492	$ -	$ -	$ 4,423,061,492
Commercial Paper	-	73,734,546	-	73,734,546
Corporate Bond	93,156,006	-	-	93,156,006
Certificate of Deposit	-	10,002,500	-	10,002,500
Subtotal	4,516,217,498	83,737,046	-	4,599,954,544
Cash and cash equivalents:				
U.S. Treasuries	138,592,779	-	-	138,592,779
Commercial Paper	-	5,542,323	-	5,542,323
Cash	15,296,278	-	-	15,296,278
Money Market	11,480,897	-	-	11,480,897
Subtotal	165,369,954	5,542,323	-	170,912,277
Total	$ 4,681,587,452	$ 89,279,369	$ -	$ 4,770,866,821

14. Subsequent Events

Management has evaluated subsequent events up through and including June 2, 2020, which is the date the financial statements were made available to be issued. No events, other than those disclosed below and elsewhere in these financial statements, have occurred subsequent to December 31, 2019 requiring recording or disclosure in these financial statements.

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

Principal Amount	Interest Rate	Price or Yield	Maturity Date
$400,000,000	1.300%	1.300%	July 1, 2020

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

On April 23, 2020, the California Catastrophe Response Council, which oversees the CWF, formally named the CEA the fund’s administrator. The CWF was established by the California Legislature, under Assembly Bill 1054 and Assembly Bill 111, and was signed into law on July 12, 2019. At that time, CEA was designated the fund’s interim administrator until the nine-member California Catastrophe Response Council could be formed and appoint an administrator.

The large-scale COVID-19 pandemic may have adverse effects on the CEA’s business operations and may cause disruptions in commerce, liquidity, and economic activity in California over an extended period of time. While it is not yet possible to estimate the financial impact, a large-scale pandemic could have a material adverse effect on the CEA’s financial position and results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of CEA's Proportionate Share of the Net Pension Liability
For the Years Ended December 31, 2019 and 2018
Last 10 Years *

	2019 **	2018 ***
State Miscelleaneous Plan		
CEA's proportion of the net pension liability	0.030627%	0.030301%
CEA's proportionate share of the net pension liability	$9,621,334	$11,070,484
CEA's covered-employee payroll	$3,753,177	$3,512,318
CEA's proportionate share of the net pension liability as percentage of their covered-employee payroll	256.35%	315.19%
Plan fiduciary net position as a percentage of the total pension liability	71.83%	66.42%

Notes to Schedule:

* - 2018 was the 1st year of implementation of GASB 68, therefore only two years are presented

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

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

CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of CEA’s Contributions: Pension Plan
For the Years Ended December 31, 2019 and 2018
Last 10 Years *

	2019	2018
State Miscellaneous Plan		
Contractually required contribution	$1,450,315	$1,219,273
Contributions in relation to the contractually required contribution	(1,450,315)	(1,219,273)
Contribution deficienty (excess)	$0	$0
CEA's covered-employee payroll	$3,753,177	$3,512,318
Contributions as a percentage of covered-employee payroll	38.64%	34.71%

Notes to Schedule:

* - 2018 was the 1st year of implementation of GASB 68, therefore only two years are presented

SUPPLEMENTARY INFORMATION

CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of Participating Insurer Capital Contributions
From Inception Through December 31, 2019

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

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

CALIFORNIA EARTHQUAKE AUTHORITY

Schedules of Participating Insurer Premiums Written
For the Years Ended December 31, 2019 and 2018

	2019	2018
1 State Farm General Insurance Company	$ 271,105,855	$ 258,911,457
2 Allstate Insurance Company	72,353,065	72,258,079
3 The Fire Insurance Exchange (Farmers)	108,605,541	102,130,047
4 United Services Automobile Association[1]	107,237,607	102,821,271
5 Safeco Insurance Company of America[3]	48,428,142	46,636,149
6 California State Automobile Association Inter-Insurance Bureau[2]	45,627,380	43,669,924
7 Nationwide Insurance Company[7]	20,049,270	21,693,400
8 California FAIR Plan Association	3,938,343	4,222,771
9 Interinsurance Exchange of the Automobile Club	57,329,894	57,282,769
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	10,423,677	1,448,137
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	17,817,693	18,897,890
14 Foremost Property and Casualty Insurance Company	5,870,418	5,571,993
15 Mercury Casualty Company	38,288,704	34,633,993
16 Armed Forces Insurance Exchange	523,642	532,881
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	3,503,397	2,689,790
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	3,844,775	3,856,512
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	140,640	161,625
23 Hyundai[9]	105	2,503
24 Progressive[10]	1,552,731	919,793
Total	$ 816,640,879	$ 778,340,984

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

CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of Participating Insurer Unearned Premium
For the Years Ended December 31, 2019 and 2018

		2019	2018
1	State Farm General Insurance Company	$ 132,712,656	$ 130,041,112
2	Allstate Insurance Company	36,233,691	37,642,185
3	The Fire Insurance Exchange (Farmers)	53,119,222	52,246,052
4	United Services Automobile Association[1]	67,163,549	66,424,578
5	Safeco Insurance Company of America[3]	29,705,422	29,524,621
6	California State Automobile Association Inter-Insurance Bureau[2]	23,949,350	22,103,517
7	Nationwide Insurance Company[7]	10,093,054	11,083,312
8	California FAIR Plan Association	1,884,092	2,150,515
9	Interinsurance Exchange of the Automobile Club	26,809,779	28,803,785
10	CNA/Continental[4,6,12]	-	-
11	Amica[11]	5,259,394	1,404,946
12	Prudential[4]	-	-
13	Liberty Mutual Fire Insurance Company[5]	10,592,193	11,462,452
14	Foremost Property and Casualty Insurance Company	2,983,535	2,893,315
15	Mercury Casualty Company	18,225,554	17,414,318
16	Armed Forces Insurance Exchange	270,286	286,970
17	GuideOne (formerly Preferred Risk)[4]	-	-
18	Homesite Insurance Company of California	1,735,488	1,411,291
19	Pacific National Insurance[4]	-	-
20	Encompass Insurance Company	1,848,217	1,891,804
21	Glen Falls Insurance Company[4]	-	-
22	Commerce West Insurance Company[8]	66,163	79,479
23	Hyundai[9]	24	1,433
24	Progressive[10]	941,409	582,516
	Total	$ 423,593,078	$ 417,448,201

[1] Includes Garrison Insurance Company

[2] Includes ACA Insurance Company

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

[4] Not currently writing residential property insurance in California

[5] Includes Golden Eagle Insurance Company

[6] Withdrew from the CEA as of May 2011

[7] Joined the CEA as of November 2011

[8] Includes MAPFRE Insurance Company

[9] Joined the CEA as of August 2014

[10] Joined the CEA as of May 2015

[11] Joined the CEA as of August 2018

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

CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of Participating Insurer Commissions
For the Years Ended December 31, 2019 and 2018

	2019	2018
1 State Farm General Insurance Company	$ 27,110,724	$ 25,889,777
2 Allstate Insurance Company	7,235,561	7,225,527
3 The Fire Insurance Exchange (Farmers)	10,860,967	10,213,230
4 United Services Automobile Association[1]	10,724,040	10,281,946
5 Safeco Insurance Company of America[3]	4,844,130	4,664,433
6 California State Automobile Association Inter-Insurance Burea	4,562,937	4,367,029
7 Nationwide Insurance Company[7]	2,005,005	2,169,214
8 California FAIR Plan Association	393,855	422,289
9 Interinsurance Exchange of the Automobile Club	5,740,084	5,734,389
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	1,042,550	144,815
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	1,782,812	1,890,562
14 Foremost Property and Casualty Insurance Company	585,192	555,458
15 Mercury Casualty Company	3,828,792	3,463,200
16 Armed Forces Insurance Exchange	52,365	53,291
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	350,748	269,202
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	384,491	385,637
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	14,073	16,163
23 Hyundai[9]	11	250
24 Progressive[10]	155,279	91,970
Total	$ 81,673,616	$ 77,838,382

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

CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of Participating Insurer Operating Costs
For the Years Ended December 31, 2019 and 2018

	2019	2018
1 State Farm General Insurance Company	$ 8,752,116	$ 8,410,994
2 Allstate Insurance Company	2,335,189	2,346,983
3 The Fire Insurance Exchange (Farmers)	3,504,780	3,317,137
4 United Services Automobile Association[1]	3,455,617	3,339,490
5 Safeco Insurance Company of America[3]	1,560,561	1,515,022
6 California State Automobile Association Inter-Insurance Bureau	1,471,930	1,419,132
7 Nationwide Insurance Company[7]	646,832	704,491
8 California FAIR Plan Association	127,166	137,217
9 Interinsurance Exchange of the Automobile Club	1,849,026	1,859,626
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	336,370	47,058
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	573,951	613,790
14 Foremost Property and Casualty Insurance Company	187,846	179,435
15 Mercury Casualty Company	1,236,159	1,125,290
16 Armed Forces Insurance Exchange	16,889	17,292
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	112,933	87,362
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	124,196	125,315
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	4,526	5,251
23 Hyundai[9]	4	81
24 Progressive[10]	50,040	29,867
Total	$ 26,346,131	$ 25,280,833

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