CALIFORNIA EARTHQUAKE AUTHORITY

Financial Statements
December 31, 2018 and 2017

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 California Earthquake Authority (the "CEA") as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the CEA's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of California Earthquake Authority as of December 31, 2018 and 2017 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Governing Board
California Earthquake Authority

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of CEA's proportionate share of the net pension liability and the schedule of 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 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

May 29, 2019

CALIFORNIA EARTHQUAKE AUTHORITY

Management's Discussion and Analysis

History and Financing

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

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

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

The CEA uses its available capital (net position) to leverage approximately $16.1 billion in claims-paying capacity at December 31, 2018. 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 1,050,835 policyholders at December 31, 2018, 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, 2018 and 2017 have been prepared using accounting standards applicable to governmental entities. This financial report consists of three financial statements with accompanying notes. The balance sheets, prepared on the accrual basis of accounting, include all assets, liabilities and net position of the CEA. The statements of revenues, expenses, and changes in net position, also prepared on the accrual basis, 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.

Condensed Balance Sheets

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

	2018	2017	2016
Assets			
Current			
Cash and investments	$ 6,610,077,544	$ 6,317,362,817	$ 6,220,262,441
Premiums receivable, net	69,456,437	64,475,336	44,074,808
Prepaid reinsurance premium	19,854,113	17,291,299	15,251,226
Securities receivable	-	98,223,089	17,043,971
Other current assets	34,651,019	27,925,371	22,537,240
Total current assets	6,734,039,113	6,525,277,912	6,319,169,686
Noncurrent			
Capital assets	208,044	269,494	115,381
Total assets	6,734,247,157	6,525,547,406	6,319,285,067
Deferred Outflows of Resources	4,462,640	-	-
Total assets and deferred outflows of resources	6,738,709,797	6,525,547,406	6,319,285,067
Liabilities			
Current			
Unearned premiums	417,448,201	373,456,016	317,465,364
Revenue bonds payable, currrent portion	105,000,000	105,000,000	100,000,000
Other current liabilities	12,623,686	47,627,416	24,206,369
Total current liabilities	535,071,887	526,083,432	441,671,733
Noncurrent			
Revenue bonds payable, noncurrrent portion	-	105,000,000	210,000,000
Other noncurrent liabilities	12,745,149	485,589	718,484
Total liabilities	547,817,036	631,569,021	652,390,217
Deferred Inflows of Resources	103,316	-	-
Total liabilities and deferred inflows of resources	547,920,352	631,569,021	652,390,217

Condensed Balance Sheets (Continued)

	2018	2017	2016
Net Position			
Net investment in capital assets	208,044	269,494	115,381
Restricted, expendable	327,622,508	225,507,185	118,507,816
Unrestricted	5,862,958,893	5,668,201,706	5,548,271,653
Total net position	6,190,789,445	5,893,978,385	5,666,894,850
Total liabilities, deferred inflows of resources, and net position	$ 6,738,709,797	$ 6,525,547,406	$ 6,319,285,067

Assets

Total assets grew $208.7 million (3%) in 2018. The increase was primarily due to cash and investments, which grew $292.7 million (5%). This was offset by a decrease in the securities receivable, as it had a balance of zero compared to $98.2 million in 2017.

In 2017, total assets grew $206.2 million (3%). The increase was primarily due to cash and investments, which grew $97.1 million (2%), and an increase in securities receivable which grew $81.2 million compared to 2016. Investments are managed by external managers under the guidance of the CEA. U.S. Treasuries, short-term investments and cash-equivalent securities comprise 100% of the CEA's investment portfolio.

Deferred Outflows of Resources/Deferred Inflows of Resources

Deferred outflows and inflows of resources increased by $4,462,640 and $103,316, respectively, in 2018. Deferred outflows represent amounts that will be recognized in pension expense in future periods. Deferred outflows of resources in 2018 included employer contributions made during 2018 subsequent to the June 30, 2017 measurement date used for the defined benefit pension plan. 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.

Liabilities

Total liabilities decreased $83.8 million (13%) in 2018. A decrease of $105.0 million in revenue bonds payable was due to debt repayments. See Note 3 in the notes to financial statements for further discussion of the bonds. 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 and noncurrent liabilities of $12.2 million. 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.

Total liabilities decreased $20.8 million (3%) in 2017. A decrease of $100.0 million in revenue bonds payable from debt repayments was offset by an increase in unearned premiums of $56.0 million and securities payable of $27.5 million. The increase in unearned premiums in 2017 is consistent with the increase in written premiums for 2017.

Condensed Balance Sheets (Continued)

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 $296.8 million (5%) and $227.1 million (4%) in 2018 and 2017, respectively.

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. The 2017 increase was primarily comprised of the underwriting profit of $182.1 million, premium tax contributions from the State of California of $16.6 million, and net investment income of $38.1 million.

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

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

	2018		2017		2016
Underwriting income:					
Premiums written	$ 778,340,984		$ 706,550,318		$ 619,134,034
Less premiums ceded - reinsurance	(366,630,729)		(315,744,745)		(202,192,413)
Net premiums written	411,710,255	53%	390,805,573	55%	416,941,621
Change in net unearned premiums	(43,992,185)		(55,990,652)		9,247,565
Net premiums earned	367,718,070	47%	334,814,921	47%	426,189,186
Expenses:					
Loss and loss adjustment expenses	148,833		(84,914)		125
Other underwriting expenses	185,518,102		152,767,591		148,391,478
Total expenses	185,666,935	24%	152,682,677	22%	148,391,603
Underwriting profit	182,051,135	23%	182,132,244	26%	277,797,583

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

	2018		2017		2016
Non-operating income and expenses:					
Net investment income	92,745,186		38,062,720		85,290,988
Other non-operating income	18,774,366		20,319,770		14,960,627
Other non-operating expenses	(10,031,627)		(13,431,199)		(10,858,541)
Total non-operating income and expenses	101,487,925	13%	44,951,291	6%	89,393,074
Capital contributions	13,272,000		-		-
Increase in net position	296,811,060	38%	227,083,535	32%	367,190,657
Net position, beginning of year	5,893,978,385		5,666,894,850		5,299,704,193
Net position, end of year	$ 6,190,789,445		$ 5,893,978,385		$ 5,666,894,850

The increase in net position was $296.8 million in 2018, which resulted in a net profit margin of 38%, and was a $76.4 million (34%) increase compared to 2017. The increase in 2018 compared to 2017 was driven by net investment income increasing $54.7 million and capital contributions increase of $13.3 million.

The investment income increase was driven by a $24.4 million increase in interest income, and a positive change in unrealized gains/losses of $31.7 million. 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.

The increase in net position was $227.1 million in 2017, which resulted in a net profit margin of 32%, and was a decrease of $140.1 million compared to 2016. The decrease in 2017 compared to 2016 was driven by net investment income decreasing $47.2 million and underwriting profit decrease of $95.7 million.

The net investment income decrease was largely due to 2016 having a one-time realized gain of $47.5 million on a settlement. The decrease in net premiums written is due to a $87.4 million increase in written premiums being offset by an increase in premiums ceded of $113.6 million due to the increased policy exposure and the change in unearned premiums decreased $65.2. The variance results from the change in premiums written in both years that includes a portion that relates to coverage in future periods.

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:

	2018	2017	2016
Net cash provided by operating activities	$ 237,095,275	$ 218,810,113	$ 278,319,341
Net cash used in noncapital financing activities	(104,756,546)	(103,330,015)	(44,784,037)
Net cash provided by (used in) capital and related financing activities	5,530,000	(223,584)	(100,018)
Net cash (used in) provided by investing activities	(303,410,981)	235,817,328	(334,589,403)
Net (decrease) increase in cash and cash equivalents	(165,542,252)	351,073,842	(101,154,117)
Cash and cash equivalents, beginning of year	389,813,362	38,739,520	139,893,637
Cash and cash equivalents, end of year	$ 224,271,110	$ 389,813,362	$ 38,739,520

Cash from operating activities increased $18.3 million (8%) and decreased $59.5 million (21%) in 2018 and 2017, respectively. The 2018 increase resulted primarily from a 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. The 2017 decrease resulted primarily from an increase in cash received from premiums of $63.2 million, offset by an increase in payments for reinsurance of $111.6 million and an increase in payments to employees for services of $9.4 million.

For the remaining cash flow activities, the biggest change from 2018 compared to 2017 is 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.

For 2017 compared to 2016, the biggest change in the remaining cash flow activities was $58.5 million increase in cash used in noncapital financing activities and increase in cash provided by investing activities of $570.4 million. The $58.5 million change in financing activities for 2017 is primarily due to $100.0 million principal bond payment in 2017, compared to $40.0 million in 2016. The $570.4 million change in investing activities was 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, 2018, 8.5% of the portfolio was scheduled to mature in 90 days or less, securities maturing between 91 days and one year accounted for 9.9% of the portfolio, while securities maturing between one to five years accounted for the remaining 81.6% of the portfolio, with a total portfolio modified duration of approximately 2.2 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.

Liquidity (Continued)

The following depicts the CEA's claims-paying capacity in effect as of December 31, 2018, in millions of dollars:

CEA capital available for claims	$	5,658
Risk transfer financial products		8,132
Revenue bonds		690
Post-earthquake industry assessments (2nd Layer)		1,656
Total	$	16,136

Capital Assets and Debt Activity

Capital Assets

The CEA's investment in capital assets as of December 31, 2018 was $208,044 (net of accumulated depreciation). No major capital asset purchases were made in the current year.

Debt Administration

At December 31, 2018, the CEA had total short-term debt obligations of $105,000,000 in the form of revenue bonds, and 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 has been improving at a hastening pace. The unemployment rate in California went from 4.4% at the end of December 2017 to 4.1% at the end of December 2018. This was a record low for the State of California since they started tracking this data in 1976. The CEA continues to experience year over year growth in policy counts. As of December 31, 2018, CEA policyholders increased 2.92% from December 31, 2017. The growth in 2018 was most likely a result of increased awareness of earthquake risk and recent catastrophic events in North America, including hurricanes on the East Coast and elsewhere in the world and major wildfires in California; along with the improved California economy.

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, 2018 and 2017

	2018	2017
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and investments:		
Cash and cash equivalents	$ 157,085,080	$ 371,218,759
Restricted cash and equivalents	67,186,030	18,594,603
Restricted investments	360,913,199	355,668,723
Investments	6,024,893,235	5,571,880,732
Total cash and investments	6,610,077,544	6,317,362,817
Premiums receivable, net of allowance for doubtful accounts of $ 5,346,462 and $ 4,579,468	69,456,437	64,475,336
Capital contributions receivable	7,742,000	-
Interest receivable	25,314,888	21,920,430
Securities receivable	-	39,172,684
Restricted securities receivable	-	59,050,405
Prepaid reinsurance premium	19,854,113	17,291,299
Prepaid transformer maintenance premium	1,268,123	5,639,851
Other current assets	326,008	365,090
Total current assets	6,734,039,113	6,525,277,912
Noncurrent assets:		
Capital assets, net	208,044	269,494
Total assets	6,734,247,157	6,525,547,406
Deferred Outflows of Resources		
Related to pensions	4,462,640	-
Total assets and deferred outflows of resources	$ 6,738,709,797	$ 6,525,547,406

See accompanying notes to financial statements

CALIFORNIA EARTHQUAKE AUTHORITY

Balance Sheets
As of December 31, 2018 and 2017 (Continued)

	2018	2017
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Unearned premiums	417,448,201	373,456,016
Accounts payable and accrued expenses	10,420,749	11,362,754
Loss and loss expense reserves	115,114	94,974
Compensated absences - current portion	450,701	496,620
Securities payable	-	32,727,818
SB 84 loan payable - current portion	164,497	-
Revenue bond payable - current portion	105,000,000	105,000,000
Revenue bond interest payable	1,472,625	2,945,250
Total current liabilities	535,071,887	526,083,432
Noncurrent liabilities:		
Revenue bond payable	-	105,000,000
SB 84 loan payable	926,503	-
Net pension liability	11,070,484	-
Compensated absences	748,162	485,589
Total liabilities	547,817,036	631,569,021
Deferred Inflows of Resources		
Related to pensions	103,316	-
Total liabilities and deferred inflows of resources	547,920,352	631,569,021
Net Position		
Net investment in capital assets	208,044	269,494
Restricted, expendable	327,622,508	225,507,185
Unrestricted	5,862,958,893	5,668,201,706
Total net position	6,190,789,445	5,893,978,385
Total liabilities and deferred inflows of resources, and net position	$ 6,738,709,797	$ 6,525,547,406

CALIFORNIA EARTHQUAKE AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
Underwriting income:		
Premiums written	$ 778,340,984	$ 706,550,318
Less premiums ceded - reinsurance	(366,630,729)	(315,744,745)
Net premiums written	411,710,255	390,805,573
Change in unearned premiums	(43,992,185)	(55,990,652)
Net premiums earned	367,718,070	334,814,921
Operating expenses:		
Loss and loss adjustment expenses	148,833	(84,914)
Participating insurer commissions	77,838,382	70,657,732
Participating insurer operating costs	25,280,833	22,945,402
Reinsurance broker commissions	2,800,000	2,800,000
Pro forma premium taxes	18,301,952	16,613,830
Other underwriting expenses	61,296,935	39,750,627
Total operating expenses	185,666,935	152,682,677
Underwriting profit	182,051,135	182,132,244
Non-operating income and expenses:		
Net investment income	92,745,186	38,062,720
Other income	468,364	472,970
Grant revenue	4,050	3,232,970
Grant expenses	(18,626)	(3,218,394)
Investment income on bond proceeds, net of related expenses	1,262,291	(2,709,361)
Mitigation Fund expenses	(2,375,292)	(2,103,444)
California Residential Mitigation Program contribution	(8,900,000)	(5,400,000)
State of California premium tax contribution	18,301,952	16,613,830
Total of non-operating income and expenses	101,487,925	44,951,291
Contributed capital	13,272,000	-
Increase in net position	296,811,060	227,083,535
Net position, beginning of year	5,893,978,385	5,666,894,850
Net position, end of year	$ 6,190,789,445	$ 5,893,978,385

CALIFORNIA EARTHQUAKE AUTHORITY

Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from premiums	$ 773,359,883	$ 686,149,790
Cash payments for premiums ceded - reinsurance	(364,821,815)	(320,445,634)
Cash payments for operating expenses	(144,150,355)	(124,846,970)
Cash payments to employees for services	(27,292,438)	(22,047,073)
Net cash provided by operating activities	237,095,275	218,810,113
Cash flows from noncapital financing activities:		
Repayment of revenue bonds	(105,000,000)	(100,000,000)
Interest paid on revenue bonds	(6,148,039)	(8,393,496)
Interest income on revenue bonds proceeds	5,937,705	4,575,935
Grant revenue	4,050	3,232,970
Grant expense	(18,626)	(3,218,394)
Other income	468,364	472,970
Net cash used in noncapital financing activities	(104,756,546)	(103,330,015)
Cash flows from capital and related financing activities:		
Contributed capital receipts	5,530,000	-
Acquisition of equipment	-	(223,584)
Net cash provided by (used in) capital and related financing activities	5,530,000	(223,584)
Cash flows from investing activities:		
Proceeds from maturities of investments	1,849,553,785	2,175,342,645
Purchases of investments	(2,288,599,749)	(1,996,952,835)
Investment income	138,296,797	60,027,883
Investment expense	(2,661,814)	(2,600,365)
Net cash (used in) provided by investing activities	(303,410,981)	235,817,328
Net (decrease) increase in cash and cash equivalents	(165,542,252)	351,073,842
Cash and cash equivalents, beginning of year	389,813,362	38,739,520
Cash and cash equivalents, end of year	$ 224,271,110	$ 389,813,362

CALIFORNIA EARTHQUAKE AUTHORITY

Statements of Cash Flows (Continued)
For the Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Underwriting profit	$ 182,051,135	$ 182,132,244
Adjustments to reconcile underwriting profit to net cash provided by operating activities:		
Depreciation on equipment	61,451	69,471
Pro forma premium tax expense	18,301,952	16,613,830
Contribution to California Residential Mitigation Program	(8,900,000)	(5,400,000)
Mitigation Fund expenses	(2,375,292)	(2,103,444)
Net periodic pension expense	7,802,160	-
Changes in operating assets and liabilities:		
Premiums receivable	(4,981,101)	(20,400,528)
Unearned premiums	43,992,185	55,990,652
Other assets	39,082	(152,810)
Prepaid reinsurance premium	(2,562,814)	(2,040,073)
Prepaid transformer maintenance premium	4,371,728	(2,660,816)
Claim and claim expense reserves	20,140	(93,055)
Change in CRMP payable	-	(3,000,000)
Accounts payable and accrued expenses	(942,005)	(48,226)
Compensated absences payable	216,654	(97,132)
Net cash provided by operating activities	$ 237,095,275	$ 218,810,113

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 a decrease of $5.4 million and $37.1 million in 2018 and 2017, respectively. Premium tax contributed by the State of California and recognized as a component of expense in the Statements of Revenues, Expenses and Changes in Net Position was $18.3 million and $16.6 million in 2018 and 2017, respectively.

1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

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

CEA policies are sold to policyholders by participating insurers of the CEA. Insurance companies admitted to write residential property insurance in California and who elect to become participating members of the CEA sign Insurer Participation Agreements with the Insurance Commissioner and the CEA. Under these agreements, participating insurers act as independent contractor agents on behalf of the CEA by performing policy and claims services which include policy issuance, premium collection, and claims adjustment. Under the agreements, the CEA reimburses participating insurers for non-claims related costs incurred by these companies in servicing CEA policies. The operating cost reimbursement is 3.25%. 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, 2018, 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.

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, commercial paper, and corporate bonds, 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. There were no such risk-capital surcharges during 2018 and 2017.

Policy Acquisition Costs

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

Losses and Loss Adjustment Expenses

Reserves for insurance losses and loss adjustment expenses include the accumulation of case estimates for claims reported, claims incurred but not reported, and estimates of expenses for investigating and adjusting all incurred claims. The reserve is established at a level that management estimates to be sufficient to satisfy those claims. Estimates are revised as more information becomes available. Since the CEA’s inception, there has not been a major earthquake. The CEA had $115,114 and $94,974 in unpaid claims reported as of December 31, 2018 and 2017, respectively.

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

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

Participating Insurer Capital Contributions

Each insurer that elected to participate in the CEA during its first year of operations was required to contribute, as its share of the CEA's initial operating capital, an amount equal to $1,000,000,000 multiplied by the percentage representing that insurer's residential earthquake insurance market share as of January 1, 1994. Insurers that elect to participate in the CEA after December 1, 1996, are required to make an initial capital contribution calculated using their residential earthquake insurance market share as of January 1, 1994, or the latest date for which such market share information is available to the CEA, whichever contribution amount is greater. Amica Mutual Insurance Company joined the CEA in August 2018 and is required to make a capital contribution of $13,272,000 over a 12-month period. As of December 31, 2018, participating insurer capital contributions totaled $791 million and were 99% 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, 2017, 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, 2018 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.

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.

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

State of California Premium Tax

California Insurance Code section 10089.44 provides that "*Notwithstanding any other provision of law, premiums collected by the Authority shall be exempt from collection of the state's insurance premium tax, and the amount of tax foregone by the state shall be considered for all purposes a contribution by the state and its citizens to the capital and operating revenues of the authority.*" As a result, CEA is exempt from remitting state premium tax. State premium tax contributions were $18,301,952 and $16,613,830 for the years ended December 31, 2018 and 2017, respectively.

Compensated Absences

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

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, 2017, which is the most recent information available.

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, 2018 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.

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

The CEA is currently evaluating the impact this standard will have on the financial statements when adopted, during the CEA's 2020 fiscal year, but 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. The CEA has determined that the impact would be enhanced footnote disclosures within the financial statements. As of December 31, 2018, the CEA had no debt that would still be outstanding when these additional disclosures are required to be adopted.

2. Cash and Investments

As of December 31, 2018 and 2017, the CEA had the following cash and investments:

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
Commerical 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

December 31, 2017

	Investment Maturities (in Years)					
	Less Than 1	1-2	2-3	3-4	4-5	Total
U. S. Treasuries	$1,424,952,696	$ 719,047,301	$1,706,073,241	$1,369,232,981	$995,409,675	$ 6,214,715,894
U. S. Agencies	46,780,280	-	-	-	-	46,780,280
Commerical Paper	47,618,115	-	-	-	-	47,618,115
Cash	8,248,528	-	-	-	-	8,248,528
Total	1,527,599,619	719,047,301	1,706,073,241	1,369,232,981	995,409,675	6,317,362,817

2. Cash and Investments (Continued)

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%

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%

2. Cash and Investments (Continued)

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 is required to deposit 1/12th of the annual interest payment by the 15th of each month into a trust account. Starting on July 1, 2015, the CEA also was required to deposit 1/12th of the annual principal payment by the 15th of each month into a trust account. Such amounts are held in restricted cash, cash equivalents and investments.

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, 2018, the CEA's combined portfolio had a maximum modified duration of 2.2 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, 2018, 97% of the portfolio consisted of U.S. Treasuries and 3% of the portfolio consisted of U.S. Agencies, commercial paper and cash.

2. Cash and Investments (Continued)

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	Aa3	AA-

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

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, 2018 and 2017 approximately $60.8 million and $8.2 million, respectively, of CEA deposits were not covered by FDIC insurance.

Investment Income

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

2. Cash and Investments (Continued)

Investment income for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
U.S. agency securities	$ 1,651,416	$ 1,191,546
Commercial paper	1,069,967	514,213
U.S. treasuries	104,035,916	80,616,259
Interest income	106,757,299	82,322,018
Change in fair value of investments	(5,412,594)	(37,082,998)
Less investment expenses	(2,661,814)	(2,600,365)
Net investment income	$ 98,682,891	$ 42,638,655

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

	2018	2017
Investment income on bond proceeds, net of related expenses	$ 5,937,705	4,575,935
Net investment income	92,745,186	38,062,720
	$ 98,682,891	$ 42,638,655

The change in fair value of investments for the years ended December 31, 2018 and 2017 are calculated as follows:

	2018	2017
Fair value of investments at the end of year	$ 6,385,806,434	$ 5,927,549,455
Add: Proceeds of investments matured	1,786,063,785	2,226,975,645
Add: Amortization of discounts/premium	5,759,014	14,416,809
Less: Chg in realized gain/loss	379,558	(14,386)
Less: Cost of investments purchased	(2,255,871,930)	(2,024,487,600)
Less: Fair value of investments at the beginning of year	(5,927,549,455)	(6,181,522,921)
Change in fair value of investments	$ (5,412,594)	$ (37,082,998)

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, 2018, and 2017, the CEA had the following recurring fair value measurements:

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

2. Cash and Investments (Continued)

December 31, 2017

	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	$ 5,923,859,336	$ -	$ -	$ 5,923,859,336
U.S. Agencies	3,690,119	-	-	3,690,119
Subtotal	5,927,549,455	-	-	5,927,549,455
Cash and cash equivalents:				
U.S. Treasuries	290,856,558	-	-	290,856,558
U.S. Agencies	43,090,161	-	-	43,090,161
Commercial Paper	-	47,618,115	-	47,618,115
Cash	8,248,528	-	-	8,248,528
Subtotal	342,195,247	47,618,115	-	389,813,362
Total	$ 6,269,744,702	$ 47,618,115	$ -	$ 6,317,362,817

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, 2018:

	Balance 1-Jan-18	Additions	Retirements	Balance 31-Dec-18	Due within One Year
Revenue Bonds	$210,000,000	$ -	($105,000,000)	$105,000,000	$105,000,000
SB 84 Loan	-	1,091,000	-	1,091,000	164,497
Compensated Absences	982,209	667,355	(450,701)	1,198,863	450,701
Total	$210,982,209	$1,758,355	($105,450,701)	$107,289,863	$105,615,198

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 table below is the future scheduled debt service payments for the CEA's long-term debt as of December 31, 2018:

Year	Principal	Interest	Total
2019	$ 105,000,000	$ 1,472,625	$ 106,472,625
Total requirements	$ 105,000,000	$ 1,472,625	$ 106,472,625

This schedule includes the mandatory sinking-fund payment of $105 million due July 1, 2019. The sinking fund balance was $55.4 million and $55.8 million as of December 31, 2018 and 2017 respectively. Interest paid during the year was $5,890,500 and $8,106,900 for 2018 and 2017, 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.

3. Long-Term Liabilities (Continued)

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 2018.

Annual debt service requirements to maturity for the note payable at December 31, 2018 are as follows:

Year	Principal	Interest	Total
2019	$ 164,497	$ 37,503	$ 202,000
2020	167,835	34,165	202,000
2021	173,948	28,052	202,000
2022	181,111	20,889	202,000
2023	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:

	2018	2017
Restricted:		
Mitigation fund	$ 16,092,656	$ 22,115,006
Claims paying account	311,529,852	203,392,179
Total restricted net position	$ 327,622,508	$ 225,507,185
Unrestricted:		
Contributed capital	$ 790,656,796	$ 777,384,796
Additional paid-in capital	274,593,169	256,291,216
Other unrestricted	4,797,708,928	4,634,525,694
Total unrestricted net position	$ 5,862,958,893	$ 5,668,201,706

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, 2018, and 2017 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 2018, 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, 2018, CEA ceded insurance to reinsurers under catastrophe excess-of-loss reinsurance contracts and provided maximum limits of $8.132 billion at varying attachment points, and 34% 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 $32.1 million and $26.6 million for the years ended December 31, 2018 and 2017, 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 $1,175,631 and $1,167,533 for the years ended December 31, 2018 and 2017, respectively. Future minimum rental payments under these agreements are as follows:

Year	Amount
2019	$ 1,304,342
2020	1,324,472
2021	1,358,791
2022	1,369,882
2023	1,357,747
Thereafter	690,671
Total	$ 7,405,905

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, 2018, and 2017, the balance sheets include expendable restricted net position related to the Mitigation Fund totaling $16,092,656 and $22,115,006 respectively. The expendable restricted net position of the Mitigation Fund as of December 31, 2018 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, 2018 are summarized as follows:

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

For the measurement period ended June 30, 2017 (the measurement date), the average active employee contribution rate and the employer's actuarially determined contribution rate, expressed as a percentage of payroll were**:**

	Average Active Employee Contribution Rate	Employer Contribution Rate
State Miscellaneous Plan	6.737%	26.734%

For the fiscal year ended December 31, 2018, the contributions recognized as part of pension expense were $1,219,273.

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 2017-18. 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, 2018, CEA reported net pension liabilities for its proportionate share of the Plan's net pension liabilities in the amount of $11,070,484.

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, 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, 2017 was .030301%.

For the year ended December 31, 2018, CEA recognized pension expense of $7,802,160.

9. Defined Benefit Pension Plan (Continued)

At December 31, 2018, CEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	State Miscellaneous Plan			
	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 the year ending December 31, 2019. Other amounts reported as deferred inflows of resources related to pensions will be amortized into pension expense in future years.

Actuarial Assumptions

For the measurement period ended June 30, 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
Actuarial 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.

9. Defined Benefit Pension Plan (Continued)

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% as of June 30, 2016. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 PERF fund. The expected rate of return was set by calculating the 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 rounded down to the nearest one quarter of one percent.

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 asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

9. Defined Benefit Pension Plan (Continued)

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%

(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, 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 2018 and 2017 was $275,000 and $270,000. 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 2018 and 2017 were $90,738 and $85,334 respectively. CEA's contributions in 2018 and 2017 were $230,857 and $217,107, 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 $8,900,000 and $5,400,000 in 2018 and 2017, respectively.

In addition to the CEA governing board approved transfers, in 2018, the CEA Mitigation Fund (Mitigation) transferred to CRMP $18,626 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 2017, Mitigation transferred to CRMP $3,000,000 in California Department of Insurance (CDI) funds and $218,394 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. Subsequent Events

Management has evaluated subsequent events up through and including June 2, 2019, 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, 2018 requiring recording or disclosure in these financial statements.

The CEA's most recent rate form filing was approved by the Department of Insurance in 2018 for new and renewal business on and after July 1, 2019. The form filing was made to introduce new rating factors, apply an enhanced hazard mitigation discount to qualifying CEA homeowners' policies, and changes some rating territories. The net result in the filing is a decrease in the CEA's statewide average rates.

On September 27, 2018, the California Legislature adopted, and the Governor signed, Assembly Bill No. 2927. This legislation took effect on January 1, 2019 and provided a mechanism for the CEA to more readily access $1 billion of claim-paying capacity from standby CEA-policyholder surcharge debt.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of CEA’s Proportionate Share of the Net Pension Liability
As of December 31, 2018
Last 10 Years *

	2018 **
State Miscellaneous Plan	
CEA's proportion of the net pension liability	0.030301%
CEA's proportionate share of the net pension liability	$11,070,484
CEA's covered-employee payroll	$3,512,318
CEA's proportionate share of the net pension liability as percentage of their covered-employee payroll	315.19%
Plan fiduciary net position as a percentage of the total pension liability	66.42%

Notes to Schedule:

* - 2018 was the 1st year of implementation of GASB 68, therefore only one year is presented

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

CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of CEA's Contributions: Pension Plan
As of December 31, 2018
Last 10 Years *

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

Notes to Schedule:

* - 2018 was the 1st year of implementation of GASB 68, therefore only one year is presented

SUPPLEMENTARY INFORMATION

CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of Participating Insurer Capital Contributions
From Inception Through December 31, 2018

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, 2018 and 2017

	2018	2017
1 State Farm General Insurance Company	$ 258,911,457	$ 230,602,026
2 Allstate Insurance Company	72,258,079	68,332,452
3 The Fire Insurance Exchange (Farmers)	102,130,047	92,830,553
4 United Services Automobile Association[1]	102,821,271	102,499,324
5 Safeco Insurance Company of America[3]	46,636,149	42,064,383
6 California State Automobile Association Inter-Insurance Bureau[2]	43,669,924	35,341,935
7 Nationwide Insurance Company[7]	21,693,400	20,650,109
8 California FAIR Plan Association	4,222,771	4,119,320
9 Interinsurance Exchange of the Automobile Club	57,282,769	51,541,539
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	1,448,137	-
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	18,897,890	17,641,652
14 Foremost Property and Casualty Insurance Company	5,571,993	4,679,900
15 Mercury Casualty Company	34,633,993	29,168,944
16 Armed Forces Insurance Exchange	532,881	506,211
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	2,689,790	2,204,112
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	3,856,512	3,838,222
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	161,625	170,971
23 Hyundai[9]	2,503	1,198
24 Progressive[10]	919,793	357,467
Total	$ 778,340,984	$ 706,550,318

[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, 2018 and 2017

	2018	2017
1 State Farm General Insurance Company	$ 130,041,112	$ 114,537,537
2 Allstate Insurance Company	37,642,185	36,000,455
3 The Fire Insurance Exchange (Farmers)	52,246,052	48,141,073
4 United Services Automobile Association[1]	66,424,578	58,761,700
5 Safeco Insurance Company of America[3]	29,524,621	26,440,382
6 California State Automobile Association Inter-Insurance Bureau	22,103,517	18,834,601
7 Nationwide Insurance Company[7]	11,083,312	10,915,339
8 California FAIR Plan Association	2,150,515	2,091,604
9 Interinsurance Exchange of the Automobile Club	28,803,785	25,585,712
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	1,404,946	-
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	11,462,452	10,899,959
14 Foremost Property and Casualty Insurance Company	2,893,315	2,553,698
15 Mercury Casualty Company	17,414,318	15,184,261
16 Armed Forces Insurance Exchange	286,970	251,045
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	1,411,291	1,089,117
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	1,891,804	1,837,913
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	79,479	88,511
23 Hyundai[9]	1,433	589
24 Progressive[10]	582,516	242,520
Total	$ 417,448,201	$ 373,456,016

[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, 2018 and 2017

	2018	2017
1 State Farm General Insurance Company	$ 25,889,777	$ 23,058,906
2 Allstate Insurance Company	7,225,527	6,832,474
3 The Fire Insurance Exchange (Farmers)	10,213,230	9,282,908
4 United Services Automobile Association[1]	10,281,946	10,249,795
5 Safeco Insurance Company of America[3]	4,664,433	4,207,068
6 California State Automobile Association Inter-Insurance Burea	4,367,029	3,534,320
7 Nationwide Insurance Company[7]	2,169,214	2,064,903
8 California FAIR Plan Association	422,289	411,931
9 Interinsurance Exchange of the Automobile Club	5,734,389	5,160,093
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	144,815	-
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	1,890,562	1,764,731
14 Foremost Property and Casualty Insurance Company	555,458	466,022
15 Mercury Casualty Company	3,463,200	2,916,616
16 Armed Forces Insurance Exchange	53,291	50,604
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	269,202	220,617
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	385,637	383,760
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	16,163	17,114
23 Hyundai[9]	250	120
24 Progressive[10]	91,970	35,750
Total	$ 77,838,382	$ 70,657,732

[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, 2018 and 2017

	2018	2017
1 State Farm General Insurance Company	$ 8,410,994	$ 7,489,800
2 Allstate Insurance Company	2,346,983	2,219,376
3 The Fire Insurance Exchange (Farmers)	3,317,137	3,014,498
4 United Services Automobile Association[1]	3,339,490	3,328,570
5 Safeco Insurance Company of America[3]	1,515,022	1,366,859
6 California State Automobile Association Inter-Insurance Bureau	1,419,132	1,148,475
7 Nationwide Insurance Company[7]	704,491	670,645
8 California FAIR Plan Association	137,217	133,868
9 Interinsurance Exchange of the Automobile Club	1,859,626	1,673,150
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	47,058	-
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	613,790	572,959
14 Foremost Property and Casualty Insurance Company	179,435	150,362
15 Mercury Casualty Company	1,125,290	947,013
16 Armed Forces Insurance Exchange	17,292	16,434
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	87,362	71,519
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	125,315	124,673
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	5,251	5,550
23 Hyundai[9]	81	39
24 Progressive[10]	29,867	11,612
Total	$ 25,280,833	$ 22,945,402

[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.