



**Date of Notice: Monday, February 9, 2015**

## **PUBLIC NOTICE**

### **A PUBLIC MEETING OF THE GOVERNING BOARD OF THE CALIFORNIA EARTHQUAKE AUTHORITY**

**NOTICE IS HEREBY GIVEN** that the Governing Board of the California Earthquake Authority ("CEA") will meet in West Sacramento, California. Pursuant to California Insurance Code §10089.7, subdivision (j), the Bagley-Keene Open Meeting Act applies generally to meetings of the Board, and the meeting is open to the public—public participation, comments, and questions will be welcome for each agenda item. All items are appropriate for action if the Governing Board wishes to take action. Agenda items may be taken out of order.

**LOCATION: CalSTRS Headquarters Building  
Boardroom – Lobby, E-124  
100 Waterfront Place  
West Sacramento, California**

**DATE: Thursday, February 19, 2015**

**TIME: 2:00 p.m.**

#### **AGENDA:**

1. Call to order and member roll call:

Governor  
Treasurer  
Insurance Commissioner  
Speaker of the Assembly  
Chair of the Senate Rules Committee

*Establishment of a quorum*

2. Consideration and approval of the minutes of the December 17, 2014, CEA Governing Board meeting.
3. Executive Report by Chief Executive Officer Glenn Pomeroy; assisted by CEA executive staff, Mr. Pomeroy's report will include an update for the Board on legislative activities of interest to the CEA.
4. Chief Financial Officer Tim Richison will present the CEA financial report.
5. Mr. Richison will seek Board authorization to set the CEA participating insurers' respective maximum-earthquake-loss funding-assessment levels, effective April 1, 2015.
6. Chief Communications Officer Chris Nance will update the Board on new marketing documents, which according to legislation sponsored by the CEA in 2014, are to be produced and distributed at the CEA's expense—distribution to all participating insurer policyholders is to commence starting in 2016. Mr. Nance will seek to augment the CEA's 2015 budget to cover immediate research and creative costs in support of marketing-document development.
7. Mr. Nance will update the Board on status of the CEA's new website.
8. Chief Mitigation Officer Janiele Maffei will update the Board on the CEA mitigation program's "Pre-Standard Project" (conducted in conjunction with FEMA and the Applied Technology Council) and other earthquake-loss-mitigation-related research.
9. Ms. Maffei will update the Board on the California Residential Mitigation Program incentive program, operated by a joint powers authority whose members are Cal OES and the CEA.
10. Chief Information Officer Todd Coombes will give a progress report to the Board on the 2015 CEA IT Project Portfolio.
11. Mr. Coombes will update the Board on the progress of the concept for centralizing CEA insurance-policy processing.
12. Mr. Coombes will seek Board approval of a 2015 budget augmentation to support the design and development of a CEA mobile Web application.
13. Mr. Pomeroy will update the Board on the development of organizational and staff performance metrics for the CEA.
14. Mr. Pomeroy will ask the Board to designate one of its members to conduct, on behalf of the Board, the annual performance appraisal of the Chief Executive Officer.
15. The Board will meet in closed session to discuss personnel matters and litigation matters, as permitted by California Government Code section 11126, subdivisions (a) and (e), respectively.
16. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
17. Adjournment.

For further information about this notice or its contents:

**General Information:**

Marc Keller  
(916) 661-5549 (Direct)  
Toll free: (877) 797-4300

California Earthquake Authority  
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Sacramento, CA 95814  
Toll free (877) 797-4300

**Media Contact:**

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Chief Communications Officer  
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[nancec@calquake.com](mailto:nancec@calquake.com)

To view this notice on the CEA Web site or to learn more about the CEA, please visit [www.EarthquakeAuthority.com](http://www.EarthquakeAuthority.com)

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Persons with disabilities may request special accommodations at this or any future Governing Board meeting or may request the accommodation necessary to receive agendas or materials the CEA prepares for its Board meetings.

Please contact Marc Keller by telephone, toll free, at (877) 797-4300 or by email at [Marc.Keller@calquake.com](mailto:Marc.Keller@calquake.com). We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

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**NOTE:** You might have received this notice because your name, or that of your organization, appears on a public-notice list maintained by the California Earthquake Authority. If in the future you do not wish to receive public notices pertaining to the California Earthquake Authority, please send your request by email to [Marc.Keller@calquake.com](mailto:Marc.Keller@calquake.com).



Draft Meeting Minutes are not available.

Please see CEA Governing Board Meeting  
[Approved Minutes.](#)

## **Governing Board Memorandum**

February 19, 2015

Agenda Item 3: Executive Report by Chief Executive Officer Glenn Pomeroy

Recommended Action: No action required – information only

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Chief Executive Officer Glenn Pomeroy will present his Executive Report to the Board; assisted by CEA executive staff, Mr. Pomeroy will update the Board on federal and state legislative activities of interest to the CEA.



# FINANCIAL REPORT

as of November 30, 2014

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Note: See Fact Sheets for Policies In Force, Written Premiums, and Exposures.

# **Financial Statements & Budgets**

**California Earthquake Authority**  
**Balance Sheet**  
**as of November 30, 2014**

**Assets**

Cash and investments:

Cash and cash equivalents	\$ 140,140,667
Restricted cash and equivalents	29,739,170
Restricted investments	342,736,522
Investments	5,027,721,251

Total cash and investments	5,540,337,610
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Premiums receivable, net of allowance for doubtful accounts of \$6,607,526	49,909,508
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Capital contributions receivable	-
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Risk capital surcharge receivable	-
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Interest receivable	12,533,472
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Securities receivable	30,464,927
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Restricted securities receivable	-
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Prepaid reinsurance premium	17,172,784
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Transformer reinsurance premium deposit	9,631,564
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Prepaid transformer maintenance premium	205,429
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Equipment, net	652,152
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Other assets	38,005
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Total assets	\$ 5,660,945,451
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**Liabilities and Net Position**

Unearned premiums	\$ 316,265,999
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Accounts payable and accrued expenses	2,266,944
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Payable to California Residential Mitigation Program	-
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Accrued reinsurance premium expense	2,170,266
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Loss and loss adjustment expense reserves	1,172,202
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Securities payable	16,074,567
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Revenue bond payable	350,000,000
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Revenue bond interest payable	596,146
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Total liabilities	688,546,124
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Net position:

Restricted, expendable	24,796,465
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Unrestricted, participating insurer contributed capital	777,384,796
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Unrestricted, State of California contributed capital	209,060,412
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Unrestricted, all other remaining	3,961,157,654
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Total net position	4,972,399,327
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Total liabilities and net position	\$ 5,660,945,451
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**California Earthquake Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**as of November 30, 2014**

Underwriting income:	
Premiums written	\$ 558,824,833
Less premiums ceded - reinsurance	(176,583,469)
Less risk capital surcharge	<u>-</u>
Net premiums written	<u>382,241,364</u>
Change in unearned premiums	<u>(19,855,774)</u>
Net unearned premiums	<u>(19,855,774)</u>
Net premiums earned	<u>362,385,590</u>
Expenses:	
Losses and loss adjustment expenses	2,304,857
Participating Insurer commissions	55,900,628
Participating Insurer operating costs	17,250,510
Reinsurance broker commissions	4,405,556
Pro forma premium taxes	13,132,384
Other underwriting expenses	<u>24,758,056</u>
Total expenses	<u>117,751,991</u>
Underwriting profit	244,633,599
Net investment income	31,802,461
Other income	372,815
Financing expenses, net	(8,694,634)
Earthquake Loss Mitigation Fund expenses	(653,240)
Participating Insurer Contributed Capital	-
State of California premium tax contribution	<u>13,132,384</u>
Increase in net position	280,593,385
Net position, beginning of year	<u>4,691,805,942</u>
Net position, end of year to date	<u><u>\$ 4,972,399,327</u></u>

**CALIFORNIA EARTHQUAKE AUTHORITY**  
**Insurance Services**  
**Budgeted and Actual Expenditures**  
**2014 Budget Year**

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	<b>Approved 2014 Budget 1/1/2014</b>	<b>Adjustments thru 11/30/2014</b>	<b>Augmentations thru 11/30/2014</b>	<b>2014 Budget after Augmentations and Adjustments</b>	<b>Actual Expenditures as of 11/30/2014</b>	<b>Augmented &amp; Adjusted Approved Budget (d) vs. Actual Expenses (e) as of 11/30/2014</b>	<b>Percentage used of Augmented &amp; Adjusted Approved 2014 Budget</b>
Salaries & Benefits	11,679,999	-	-	11,679,999	9,316,216	2,363,783	79.76%
Rent	753,615	-	-	753,615	687,904	65,711	91.28%
Travel	405,987	-	-	405,987	302,655	103,332	74.55%
Non-paid Consultant Travel	2,000	-	-	2,000	-	2,000	0.00%
Telecommunications	181,140	-	-	181,140	155,925	25,215	86.08%
Training	285,719	-	-	285,719	159,747	125,972	55.91%
Insurance	167,500	-	-	167,500	163,381	4,119	97.54%
Board/Panel Services	35,000	-	-	35,000	13,851	21,149	39.57%
Administration & Office (Software Maint & Support, Printing & Stationery, Postage)	1,268,015	-	-	1,268,015	294,468	973,547	23.22%
Other Administrative Services	34,885	-	-	34,885	28,078	6,807	80.49%
Furniture/Equipment	47,600	-	-	47,600	30,363	17,237	63.79%
EDP Hardware/Software	689,665	-	-	689,665	1,154,571	(464,906)	167.41%
Dept of Insurance Examination	50	-	-	50	70,331	(70,281)	100.00% >
<b>Total Operating Expenses</b>	<b>\$ 15,551,175</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,551,175</b>	<b>\$ 12,377,490</b>	<b>\$ 3,173,685</b>	<b>79.59%</b>
Consulting Services							
Claims	10,000	-	-	10,000	10,000	-	100.00%
Compliance	150,000	-	-	150,000	-	150,000	0.00%
Executive Recruiting	75,000	-	-	75,000	-	75,000	0.00%
Financial Consulting	260,000	-	-	260,000	113,174	146,826	43.53%
Government Relations	190,000	-	-	190,000	105,000	85,000	55.26%
Human Resources	395,000	-	-	395,000	90,423	304,577	22.89%
Information Systems	145,000	-	-	145,000	47,466	97,534	32.74%
Internal Audit	50,000	-	-	50,000	-	50,000	0.00%
Investment Compliance	40,000	-	-	40,000	1,852	38,148	4.63%
Public Relations	100,000	-	-	100,000	19,571	80,429	19.57%
Other Consulting Services	190,000	-	-	190,000	24,064	165,936	12.67%
<b>Total Consulting Services</b>	<b>\$ 1,605,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,605,000</b>	<b>\$ 411,550</b>	<b>\$ 1,193,450</b>	<b>25.64%</b>

**CALIFORNIA EARTHQUAKE AUTHORITY**  
**Insurance Services**  
**Budgeted and Actual Expenditures**  
**2014 Budget Year**

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	<u>Approved 2014 Budget 1/1/2014</u>	<u>Adjustments thru 11/30/2014</u>	<u>Augmentations thru 11/30/2014</u>	<u>2014 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 11/30/2014</u>	<u>Augmented &amp; Adjusted Approved Budget (d) vs. Actual Expenses (e) as of 11/30/2014</u>	<u>Percentage used of Augmented &amp; Adjusted Approved 2014 Budget</u>
Contracted Services							
Agent Services	70,000	-	-	70,000	43,246	26,754	61.78%
Audit Services	109,000	-	-	109,000	100,850	8,150	92.52%
IT Services <sup>1</sup>	2,591,005	-	273,466	2,864,471	1,433,070	1,431,401	50.03%
Legal Services - Claims Counsel	300,000	-	-	300,000	-	300,000	0.00%
Legal Services- Non-Claims	7,355,000	-	-	7,355,000	1,715,634	5,639,366	23.33%
Marketing Services	8,878,000	-	-	8,878,000	4,167,435	4,710,565	46.94%
Modeling Services	711,000	-	-	711,000	567,750	143,250	79.85%
Rating Agencies	197,350	-	-	197,350	197,300	50	99.97%
Staffing Services - Support and Admin	3,106,214	-	-	3,106,214	2,605,384	500,830	83.88%
Other Contracted Services	50,000	-	-	50,000	-	50,000	0.00%
<b>Total Contracted Services</b>	<b>\$ 23,367,569</b>	<b>\$ -</b>	<b>\$ 273,466</b>	<b>\$ 23,641,035</b>	<b>\$ 10,830,669</b>	<b>\$ 12,810,366</b>	<b>45.81%</b>
Research	200,000	-	-	200,000	198,099	1,901	99.05%
Participating Insurer Commissions	56,742,287	-	-	56,742,287	55,900,628	841,659	98.52%
Participating Insurer Operating Costs	17,533,367	-	-	17,533,367	17,250,510	282,857	98.39%
Investment Expenses	2,422,156	-	-	2,422,156	2,062,279	359,877	85.14%
Financing Expenses <sup>2</sup>	5,079,788	-	8,350,000	13,429,788	10,572,838	2,856,950	78.73%
Risk Transfer	222,221,550	-	-	222,221,550	180,989,025	41,232,525	81.45%
<b>Total Expenditures</b>	<b>\$ 344,722,892</b>	<b>\$ -</b>	<b>\$ 8,623,466</b>	<b>\$ 353,346,358</b>	<b>\$ 290,593,088</b>	<b>\$ 62,753,270</b>	<b>82.24%</b>

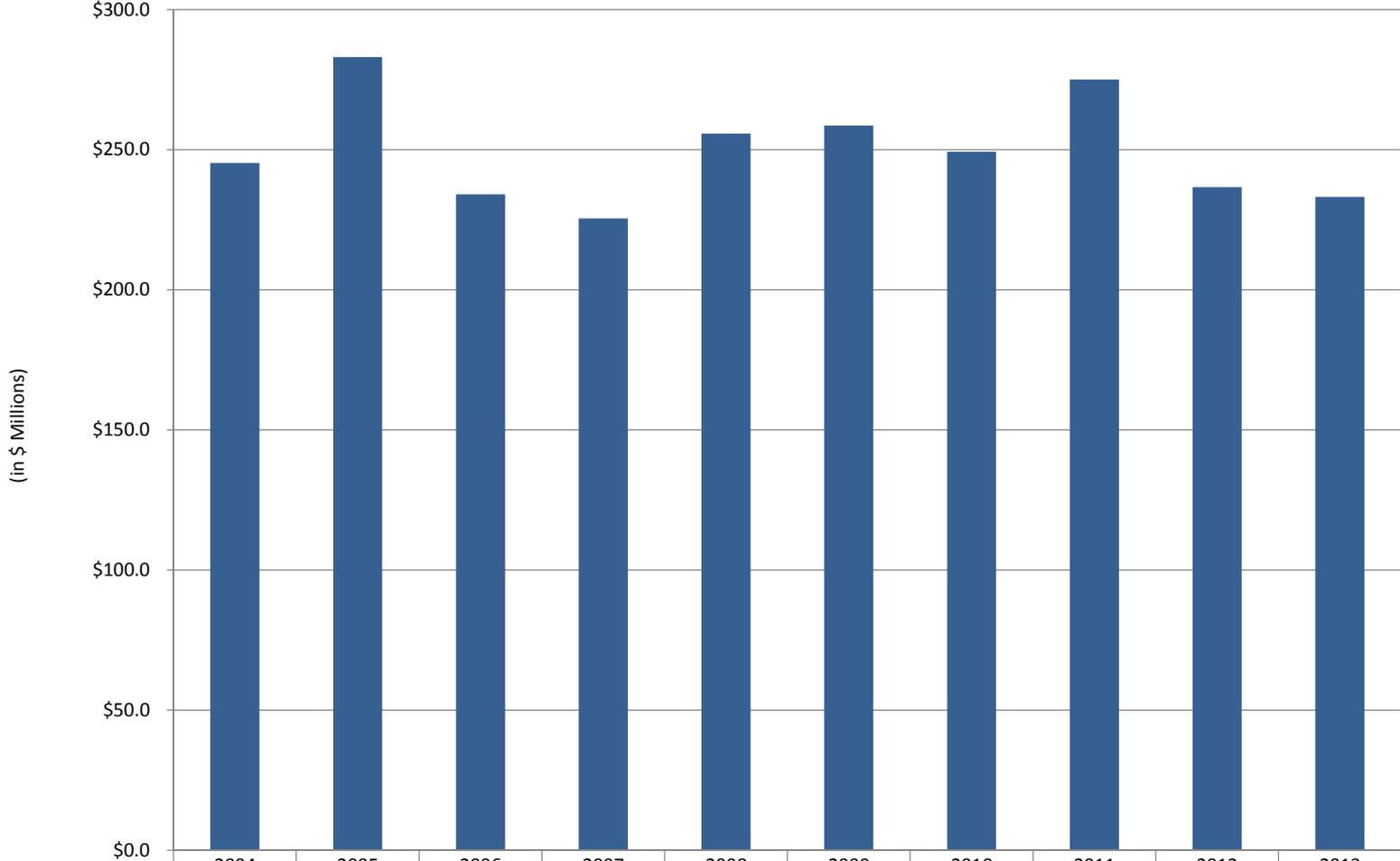
<sup>1</sup>Augmentation due to board approved upgrade in CEA IT infrastructure.

<sup>2</sup>Augmentation for 2006 bond interest expenses and 2014 bonds transaction expenses

**CALIFORNIA EARTHQUAKE AUTHORITY**  
**Mitigation**  
**Budgeted Expenditures and Actual Expenditures**  
**2014 Budget Year**

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	<u>Approved 2014 Budget 1/1/2014</u>	<u>Adjustments thru 11/30/2014</u>	<u>Augmentations thru 11/30/2014</u>	<u>2014 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 11/30/2014</u>	<u>Augmented &amp; Adjusted Approved Budget (d) vs. Actual Expenses (e) as of 11/30/2014</u>	<u>Percentage used of Augmented &amp; Adjusted Approved 2014 Budget</u>
Salaries & Benefits	647,379	-	-	647,379	348,645	298,734	53.85%
Rent	33,120	-	-	33,120	29,025	4,095	87.64%
Travel	50,000	-	-	50,000	25,713	24,287	51.43%
Non-paid Consultant Travel	5,000	-	-	5,000	-	5,000	0.00%
Telecommunications	10,800	-	-	10,800	5,682	5,118	52.61%
Training	22,880	-	-	22,880	10,005	12,875	43.73%
Administration & Office (Software Maint & Support, Printing & Stationery, Postage)	113,600	-	-	113,600	30,121	83,479	26.51%
Furniture/Equipment	1,000	-	-	1,000	389	611	38.90%
EDP Hardware/Software	-	-	-	-	139	(139)	0.00%
<b>Total Operating Expenses</b>	<b>\$ 883,779</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 883,779</b>	<b>\$ 449,719</b>	<b>\$ 434,060</b>	<b>50.89%</b>
Consulting Services							
Other Consulting Services	100,000	-	-	100,000	-	100,000	0.00%
Total Consulting Services	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>0.00%</b>
Contracted Services							
Legal Services - Non-Claims	50,000	-	-	50,000	-	50,000	0.00%
Mitigation Projects	850,000	-	-	850,000	117,112	732,888	13.78%
Staffing Services - Support and Admin	222,436	-	-	222,436	83,817	138,619	37.68%
Other Contracted Services	50,000	-	-	50,000	-	50,000	0.00%
Total Contracted Services	<b>\$ 1,172,436</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,172,436</b>	<b>\$ 200,929</b>	<b>\$ 971,507</b>	<b>17.14%</b>
CRMP Contribution	-	-	-	-	-	-	0.00%
Investment Expenses	16,800	-	-	16,800	18,981	(2,181)	112.98%
<b>Total Expenditures</b>	<b>\$ 2,173,015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,173,015</b>	<b>\$ 669,629</b>	<b>\$ 1,503,386</b>	<b>30.82%</b>

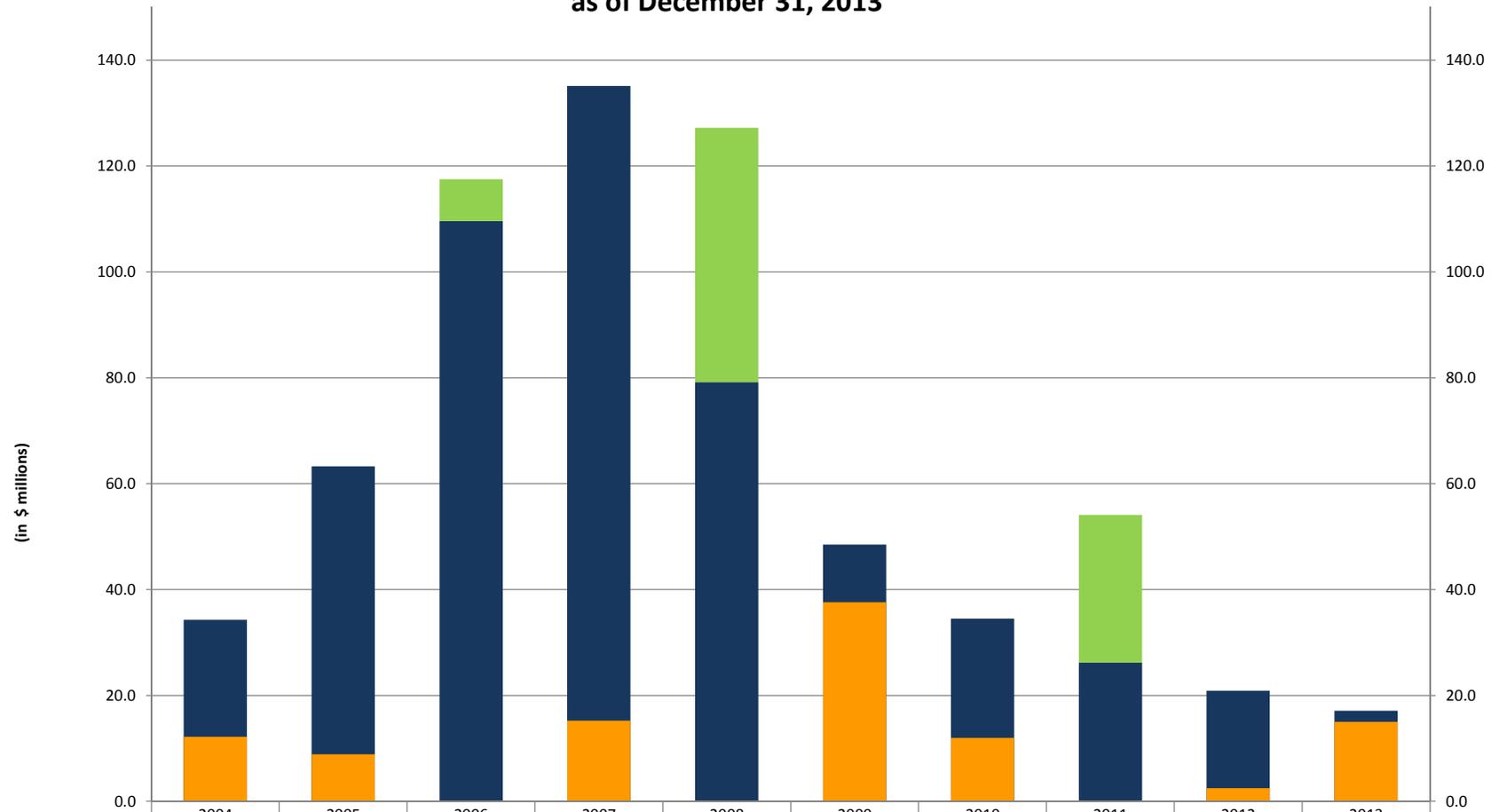
**California Earthquake Authority  
Annual Capital Accumulated from Premium  
as of December 31, 2013**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Capital Accumulated from Premium	\$245.2	\$283.1	\$234.1	\$225.5	\$255.7	\$258.6	\$249.3	\$275.0	\$236.7	\$233.1

# **Investments**

**California Earthquake Authority  
Annual Investment Income  
as of December 31, 2013**

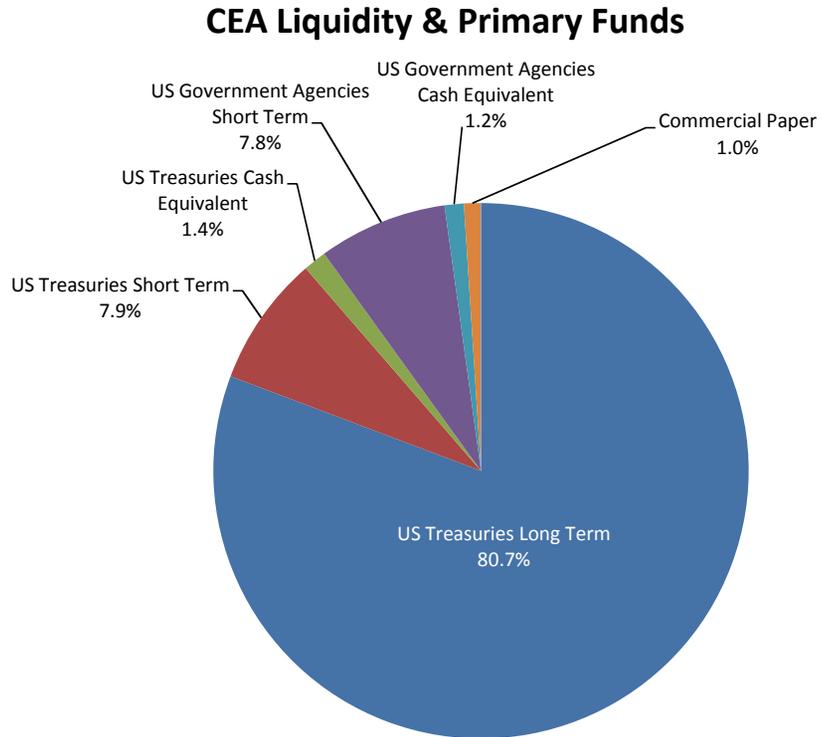


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Investment Income*	22.1	54.4	117.5	119.9	127.2	10.9	22.5	54.1	18.4	2.1
Unrealized Gain	0.0	0.0	7.9	0.0	48.0	0.0	0.0	27.9	0.0	0.0
Investment Income	34.3	63.3	109.6	135.1	79.2	48.5	34.5	26.2	20.9	17.1
Unrealized Loss	12.2	8.9	0.0	15.2	0.0	37.6	12.0	0.0	2.5	15.0

\* Net Investment Income is investment income net of unrealized gain or unrealized loss and ties to the financial statement.

**California Earthquake Authority  
Investment Portfolio Distribution at Market Value  
as of November 30, 2014**

<b>CEA Liquidity &amp; Primary Funds:</b>	<b>\$4,847,760,602</b>
US Treasuries Long Term	80.7%
US Treasuries Short Term	7.9%
US Treasuries Cash Equivalent	1.4%
US Government Agencies Short Term	7.8%
US Government Agencies Cash Equivalent	1.2%
Commercial Paper	1.0%
Commercial Paper Cash Equivalent	0.0%
<b>Total:</b>	<b>100.0%</b>

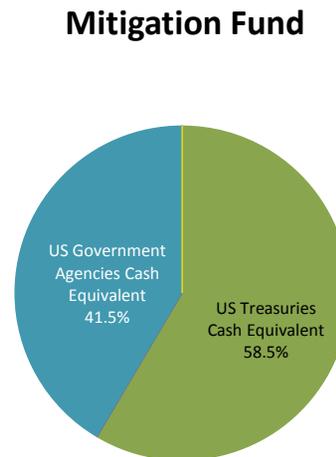
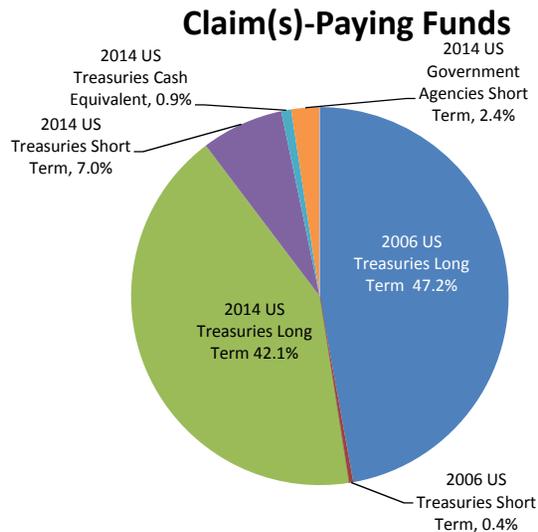


Note: All CEA investment portfolios are managed by outside firms.

**California Earthquake Authority  
Investment Portfolio Distribution at Market Value  
as of November 30, 2014**

<b>Claim(s)-Paying Funds:</b>	<b>\$664,162,817</b>
2006 US Treasuries Long Term	47.2%
2006 US Treasuries Short Term	0.4%
2006 US Treasuries Cash Equivalent	0.0%
2006 US Government Agencies Short Term	0.0%
2006 US Government Agencies Cash Equivalent	0.0%
2006 Commercial Paper Short Term	0.0%
2006 Commercial Paper Cash Equivalent	0.0%
2014 US Treasuries Long Term	42.1%
2014 US Treasuries Short Term	7.0%
2014 US Treasuries Cash Equivalent	0.9%
2014 US Government Agencies Short Term	2.4%
2014 US Government Agencies Cash Equivalent	0.0%
2014 Commercial Paper Short Term	0.0%
2014 Commercial Paper Cash Equivalent	0.0%
<b>Total:</b>	<b>100.0%</b>

<b>Mitigation Fund:</b>	<b>\$24,899,067</b>
US Treasuries Long Term	0.0%
US Treasuries Short Term	0.0%
US Treasuries Cash Equivalent	58.5%
US Government Agencies Short Term	0.0%
US Government Agencies Cash Equivalent	41.5%
Commercial Paper	0.0%
Commercial Paper Cash Equivalent	0.0%
<b>Total:</b>	<b>100.0%</b>



# Debt

**California Earthquake Authority  
Schedule of Outstanding Debt - Defeased**

<b>DEBT</b>	<b>ISSUANCE AMOUNT</b>	<b>INTEREST RATE</b>	<b>NET PROCEEDS</b>	<b>OUTSTANDING PRINCIPAL</b>	<b>AS OF DATE</b>	<b>MOODY'S RATING*</b>	<b>FITCH RATING*</b>
<b>Series 2006 Revenue Bonds</b>	<b>\$ 315,000,000</b>	<b>6.169%</b>	<b>\$ 310,829,067</b>	<b>\$ 63,000,000</b>	<b>30-Nov-2014</b>	<b>A3</b>	<b>A</b>
*Interest and principal fully funded in escrow account for remaining interest and principal payments						<b>Outlook Stable</b>	<b>Outlook Stable</b>

**DEBT-SERVICE SCHEDULE**

The table below shows the annual-debt-service requirements for the Series 2006 Bonds.

<b>Payment Date</b>	<b>Outstanding Principal</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	<b>Annual Debt Service</b>
1-Jan-14	\$94,500,000		\$2,914,853	\$2,914,853	
1-Jul-14	\$63,000,000	\$31,500,000	\$2,914,853	\$34,414,853	
2014					\$37,329,706
1-Jan-15	\$63,000,000		\$1,943,235	\$1,943,235	
1-Jul-15	\$31,500,000	\$31,500,000	\$1,943,235	\$33,443,235	
2015					\$35,386,470
1-Jan-16	\$31,500,000		\$971,618	\$971,618	
1-Jul-16		\$31,500,000	\$971,618	\$32,471,618	
2016					\$33,443,236

**California Earthquake Authority  
Schedule of Outstanding Debt**

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE	MOODY'S RATING*	FITCH RATING*
Series 2014 Revenue Bonds 2 year bond CUSIP 13017HAC0	\$ 40,000,000	1.194%	\$ 39,665,642	\$ 40,000,000	30-Nov-2014	A3 Outlook Stable	A Outlook Stable

**DEBT-SERVICE SCHEDULE**

The table below shows the annual-debt-service requirements for the Series 2014 Bonds.

Payment Date	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-15	\$40,000,000		\$72,967	\$72,967	
1-Jul-15	\$40,000,000		\$238,800	\$238,800	
2015					\$311,767
1-Jan-16	\$40,000,000		\$238,800	\$238,800	
1-Jul-16		\$40,000,000	\$238,800	\$40,238,800	
2016					\$40,477,600

\*Ratings of 'A3' and 'A' since 2014

**California Earthquake Authority  
Schedule of Outstanding Debt**

<b>DEBT</b>	<b>ISSUANCE AMOUNT</b>	<b>INTEREST RATE</b>	<b>NET PROCEEDS</b>	<b>OUTSTANDING PRINCIPAL</b>	<b>AS OF DATE</b>	<b>MOODY'S RATING*</b>	<b>FITCH RATING*</b>
Series 2014 Revenue Bonds 3 year bond CUSIP 13017HAD8	\$ 60,000,000	1.824%	\$ 59,498,463	\$ 60,000,000	30-Nov-2014	A3 Outlook Stable	A Outlook Stable

**DEBT-SERVICE SCHEDULE**

The table below shows the annual-debt-service requirements for the Series 2014 Bonds.

<b>Payment Date</b>	<b>Outstanding Principal</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	<b>Annual Debt Service</b>
1-Jan-15	\$60,000,000		\$167,200	\$167,200	
1-Jul-15	\$60,000,000		\$547,200	\$547,200	
2015					\$714,400
1-Jan-16	\$60,000,000		\$547,200	\$547,200	
1-Jul-16	\$60,000,000		\$547,200	\$547,200	
2016					\$1,094,400
1-Jan-17	\$60,000,000		\$547,200	\$547,200	
1-Jul-17		\$60,000,000	\$547,200	\$60,547,200	
2017					\$61,094,400

\*Ratings of 'A3' and 'A' since 2014

**California Earthquake Authority  
Schedule of Outstanding Debt**

<b>DEBT</b>	<b>ISSUANCE AMOUNT</b>	<b>INTEREST RATE</b>	<b>NET PROCEEDS</b>	<b>OUTSTANDING PRINCIPAL</b>	<b>AS OF DATE</b>	<b>MOODY'S RATING*</b>	<b>FITCH RATING*</b>
Series 2014 Revenue Bonds 5 year bond CUSIP 13017HAE6	\$ 250,000,000	2.805%	\$ 247,910,261	\$ 250,000,000	30-Nov-2014	A3 Outlook Stable	A Outlook Stable

**DEBT-SERVICE SCHEDULE**

The table below shows the annual-debt-service requirements for the Series 2014 Bonds.

<b>Payment Date</b>	<b>Outstanding Principal</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	<b>Annual Debt Service</b>
1-Jan-15	\$250,000,000		\$1,071,354	\$1,071,354	
1-Jul-15	\$250,000,000		\$3,506,250	\$3,506,250	
2015					\$4,577,604
1-Jan-16	\$250,000,000		\$3,506,250	\$3,506,250	
1-Jul-16	\$250,000,000		\$3,506,250	\$3,506,250	
2016					\$7,012,500
1-Jan-17	\$250,000,000		\$3,506,250	\$3,506,250	
1-Jul-17	\$210,000,000	\$40,000,000	\$3,506,250	\$43,506,250	
2017					\$47,012,500
1-Jan-18	\$210,000,000		\$2,945,250	\$2,945,250	
1-Jul-18	\$105,000,000	\$105,000,000	\$2,945,250	\$107,945,250	
2018					\$110,890,500
1-Jan-19	\$105,000,000		\$1,472,625	\$1,472,625	
1-Jul-19		\$105,000,000	\$1,472,625	\$106,472,625	
2019					\$107,945,250

\*Ratings of 'A3' and 'A' since 2014

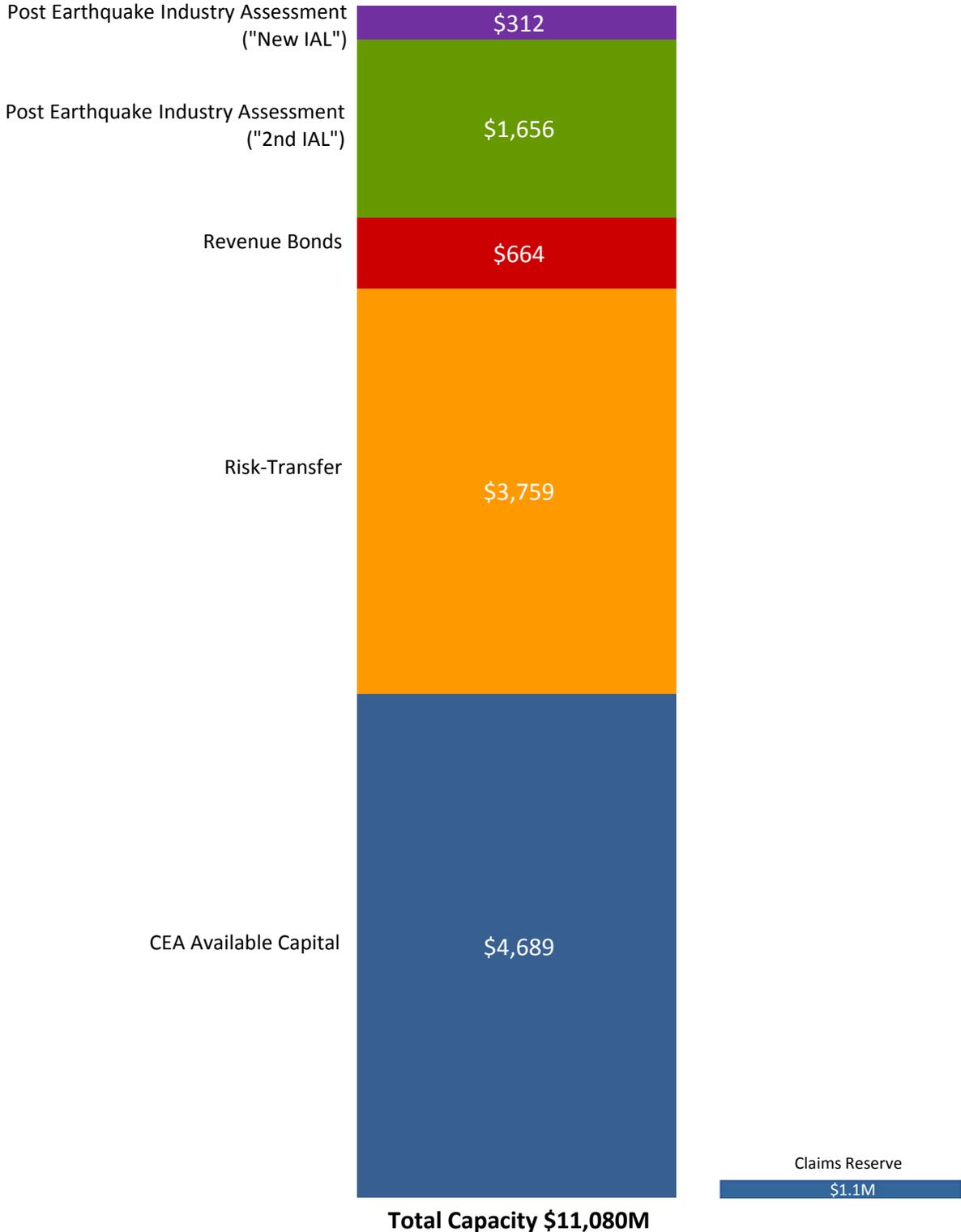
# **Claim-Paying Capacity**

**California Earthquake Authority  
Available Capital Report  
as of November 30, 2014**

Cash & Investments (includes capital contributions and premiums)	\$ 5,515,437,524 *
Interest, Securities & Restricted Securities Receivable	\$ 41,019,399
Premium Receivable	\$ 49,909,508
Risk Capital Surcharge & Capital Contributions Receivable	\$ -
Other Assets	\$ 38,005
Revenue Bonds	\$ (664,162,817)
Debt Service (Interest, Principal & Debt Service (Min. Bal.))	\$ (655,760)
Unearned Premium Collected	\$ (231,163,036)
Accrued Reinsurance Premium Expense	\$ (2,170,266)
Accounts and Securities Payable, and Accrued Expenses	\$ (18,341,511)
Loss Reserves	\$ (1,075,715)
<b>CEA Available Capital</b>	<b><u><u>\$ 4,688,835,331</u></u></b>

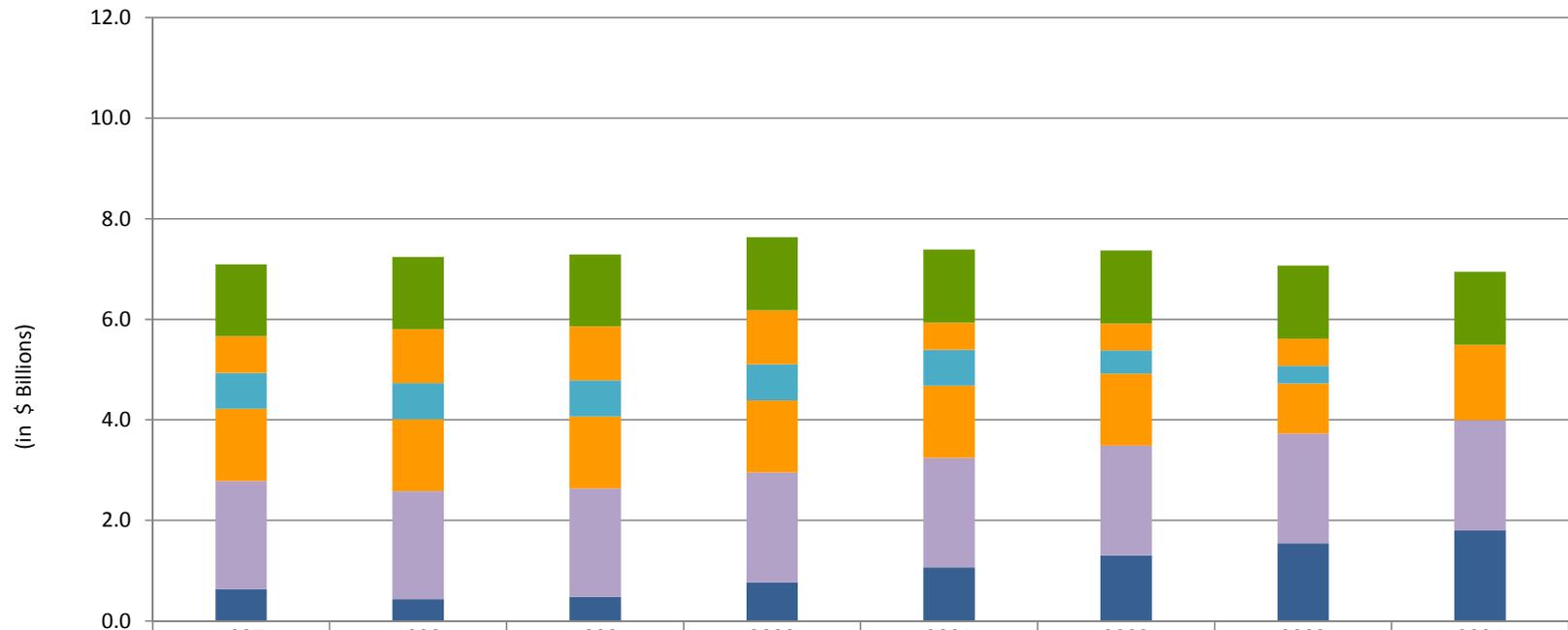
\* Does not include Earthquake Loss Mitigation Fund cash and investments of \$24,900,086

**California Earthquake Authority  
Claim-Paying Capacity  
as of November 30, 2014**



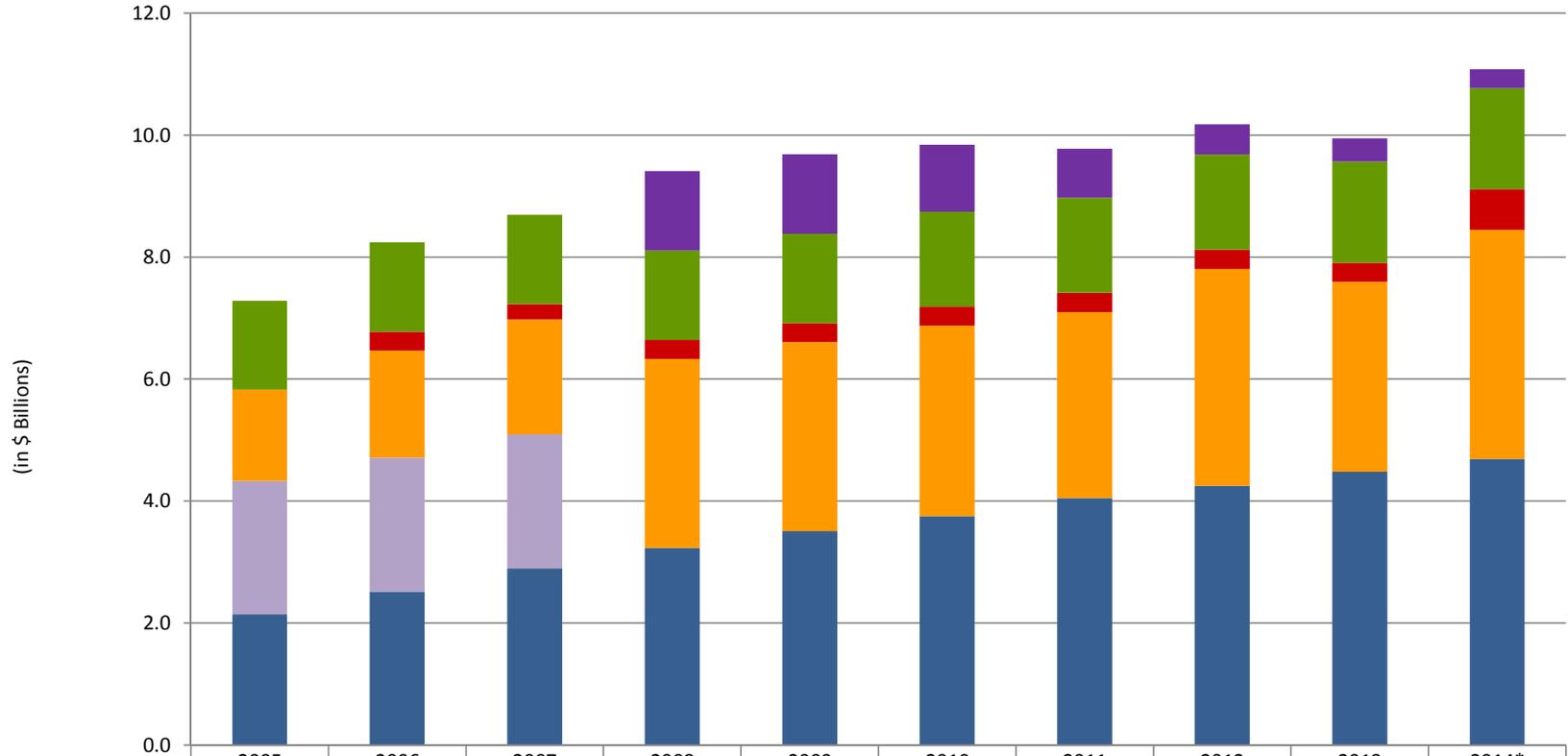
\*Not drawn to scale

**California Earthquake Authority  
Historical Claim-Paying Capacity (CPC)  
December 31, 1997 through December 31, 2004**



	1997	1998	1999	2000	2001	2002	2003	2004
Total CPC	\$7.095	\$7.240	\$7.293	\$7.635	\$7.390	\$7.373	\$7.069	\$6.948
New Industry Assessment	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2nd Industry Assessment	1.434	1.434	1.434	1.456	1.456	1.456	1.456	1.456
Revenue Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Risk-Transfer, 2nd Layer	0.727	1.075	1.075	1.075	0.538	0.538	0.538	0.000
Line of Credit	0.716	0.716	0.716	0.716	0.716	0.456	0.348	0.000
Risk Transfer, 1st Layer	1.433	1.433	1.433	1.433	1.433	1.433	1.000	1.500
1st Industry Assessment	2.150	2.150	2.150	2.183	2.183	2.183	2.183	2.183
CEA Available Capital	0.635	0.432	0.485	0.772	1.064	1.307	1.544	1.809

**California Earthquake Authority  
Historical Claim-Paying Capacity (CPC)  
December 31, 2005 through November 30, 2014**



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*
Total CPC	\$7.284	\$8.244	\$8.695	\$9.411	\$9.685	\$9.840	\$9.777	\$10.179	\$9.949	\$11.080
New Industry Assessment	0.000	0.000	0.000	1.304	1.304	1.095	0.804	0.500	0.385	0.312
2nd Industry Assessment	1.456	1.465	1.465	1.465	1.465	1.558	1.558	1.558	1.656	1.656
Revenue Bonds	0.000	0.311	0.254	0.311	0.311	0.311	0.317	0.314	0.314	0.664
Risk-Transfer, 2nd Layer	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Line of Credit	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Risk Transfer, 1st Layer	1.500	1.756	1.885	3.100	3.100	3.123	3.050	3.557	3.115	3.759
1st Industry Assessment	2.183	2.197	2.197	0.000	0.000	0.000	0.000	0.000	0.000	0.000
CEA Available Capital	2.145	2.515	2.894	3.231	3.505	3.753	4.048	4.250	4.478	4.689

\*as of November 30, 2014

# **Risk-Transfer Programs**

**California Earthquake Authority  
Risk-Transfer Program  
as of November 30, 2014**

<b>Traditional Reinsurance Contracts</b>	<b>Contract Period</b>	<b>Reinsurance Limit</b>	<b>12-Month Rate-on-Line</b>	<b>12-Month Premium</b>
2014 January Program Contract 1	January 1, 2014 - December 31, 2014	460,758,100	5.40%	24,880,937
2014 January Program Contract 2	January 1, 2014 - December 31, 2014	50,000,000	4.95%	2,475,000
2014 January Program Contract 3	January 1, 2014 - December 31, 2014	99,999,960	6.75%	6,749,997
2014-2015 January Program Contract 1	January 1, 2014 - December 31, 2015	454,227,620	5.50%	24,982,519
2014-2015 January Program Contract 2	January 1, 2014 - December 31, 2015	49,999,996	6.45%	3,225,000
2013-2015 April Program Contract 2	April 1, 2013 - March 31, 2015	84,999,960	5.30%	4,504,998
2014-2015 April Program Contract 1	April 1, 2014 - March 31, 2015	518,583,000	3.70%	19,187,571
2014-2015 April Program Contract 1 ADDL	October 1, 2014 - March 31, 2015	202,999,520	3.70%	3,755,491
2014-2016 April Program Contract 1	April 1, 2014 - March 31, 2016	253,099,320	3.85%	9,744,324
2014-2016 April Program Contract 2	April 1, 2014 - March 31, 2016	122,499,960	3.75%	4,593,749
2013-2016 May Program	May 1, 2013 - April 30, 2016	100,000,000	5.60%	5,600,000
2013-2015 June Program	June 1, 2013 - May 31, 2015	50,000,000	5.65%	2,825,000
2012-2015 September Program	September 1, 2012 - August 31, 2015	100,000,000	5.70%	5,700,000
2013-2015 August Program Contract 3	August 1, 2013 - July 31, 2015	250,000,000	5.90%	14,750,000
2014-2015 August Program Contract 1	August 1, 2014 - July 31, 2015	187,500,000	4.80%	9,000,000
2014-2015 August Program Contract 2	August 1, 2014 - July 31, 2015	187,500,000	6.00%	11,250,000
2014-2015 August Program Contract 3	August 1, 2014 - July 31, 2015	136,500,000	4.50%	6,142,500
<b>Total Traditional Reinsurance</b>		<b>3,308,667,436</b>		

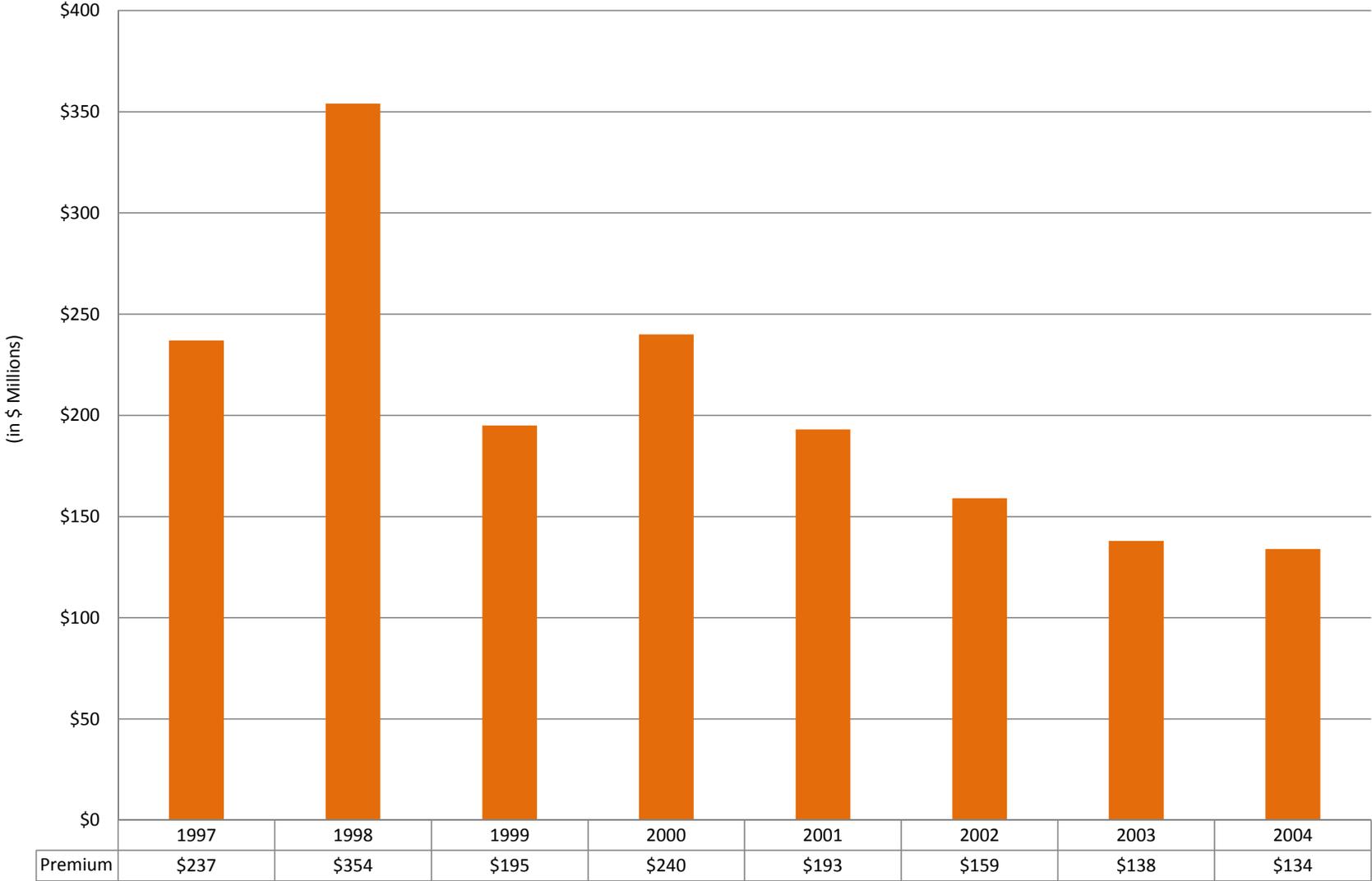
<b>Transformer Reinsurance Contracts</b>	<b>Contract Period</b>	<b>Reinsurance Limit</b>	<b>12-Month Rate-on-Line</b>	<b>12-Month Premium</b>
Transformer Contract 2 (2012 - I)	February 7, 2012 – February 13, 2015	150,000,000	7.44%	11,159,145
Transformer Contract 3 (2012 - II)	August 1, 2012 – August 7, 2015	300,000,000	5.04%	15,121,864
<b>Total Transformer Reinsurance</b>		<b>450,000,000</b>		

<b>Total Risk-Transfer Program</b>	<b>3,758,667,436</b>
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**California Earthquake Authority  
2014 Total Premium Risk-Transfer Program  
as of November 30, 2014**

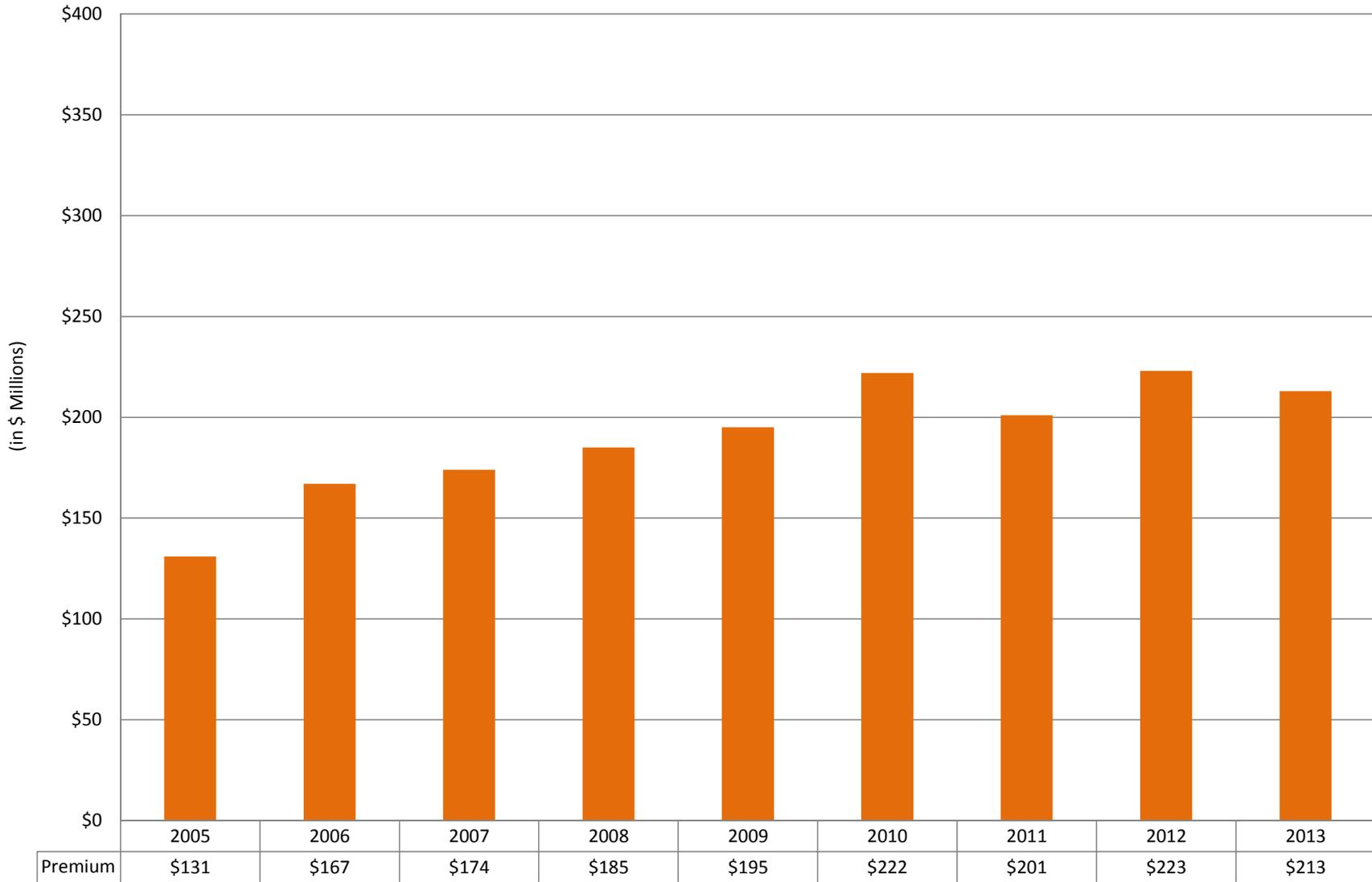
<b>Traditional Reinsurance Contracts</b>	<b>Contract Period</b>	<b>2014 Premium</b>
2013-2014 April Program Contract 1	April 1, 2013 - March 31, 2014	10,068,675
2013-2014 August Program Contract 1	August 1, 2013 - July 31, 2014	10,324,997
2013-2014 August Program Contract 2	August 1, 2013 - July 31, 2014	4,398,333
2013-2014 August Program Contract 4	August 1, 2013 - July 31, 2014	1,035,375
2014 January Program Contract 1	January 1, 2014 - December 31, 2014	24,880,937
2014 January Program Contract 2	January 1, 2014 - December 31, 2014	2,475,000
2014 January Program Contract 3	January 1, 2014 - December 31, 2014	6,749,997
2013-2015 April Program Contract 2	April 1, 2013 - March 31, 2015	4,504,998
2014-2015 April Program Contract 1	April 1, 2014 - March 31, 2015	14,390,678
2014-2015 April Program Contract 1 ADDL	October 1, 2014 - March 31, 2015	1,877,746
2013-2015 June Program	June 1, 2013 - May 31, 2015	2,825,000
2013-2015 August Program Contract 3	August 1, 2013 - July 31, 2015	14,750,000
2012-2015 September Program	September 1, 2012 - August 31, 2015	5,700,000
2014-2015 January Program Contract 1	January 1, 2014 - December 31, 2015	24,982,519
2014-2015 January Program Contract 2	January 1, 2014 - December 31, 2015	3,225,000
2014-2016 April Program Contract 1	April 1, 2014 - March 31, 2016	7,308,243
2014-2016 April Program Contract 2	April 1, 2014 - March 31, 2016	3,445,311
2013-2016 May Program	May 1, 2013 - April 30, 2016	5,600,000
2014-2015 August Program Contract 1	August 1, 2014 - July 31, 2015	3,750,000
2014-2015 August Program Contract 2	August 1, 2014 - July 31, 2015	4,687,500
2014-2015 August Program Contract 3	August 1, 2014 - July 31, 2015	2,559,375
<b>Total Traditional Reinsurance Premium</b>		<b>159,539,684</b>
<b>Transformer Reinsurance Contracts</b>	<b>Contract Period</b>	<b>2014 Premium</b>
Transformer Contract 1 (2011 - I)	August 2, 2011 – August 8, 2014	7,516,849
Transformer Contract 2 (2012 - I)	February 7, 2012 – February 13, 2015	11,159,145
Transformer Contract 3 (2012 - II)	August 1, 2012 – August 7, 2015	15,121,864
<b>Total Transformer Reinsurance Premium</b>		<b>33,797,858</b>
<b>Total Risk-Transfer Program Premium</b>		<b>193,337,542</b>

**California Earthquake Authority  
Annual Risk-Transfer Premium  
December 31, 1997 - December 31, 2004**



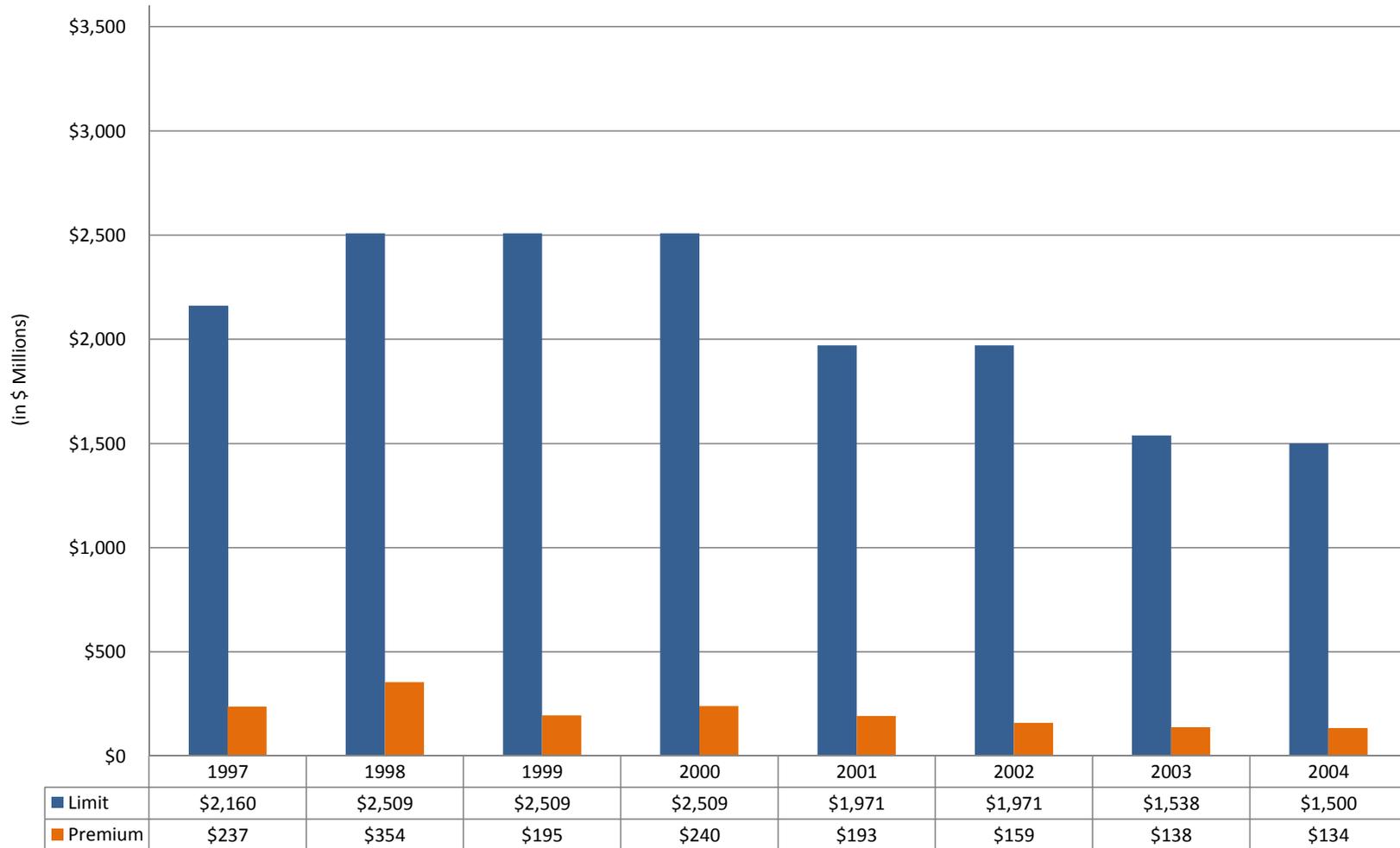
(in \$ Millions)

**California Earthquake Authority  
Annual Risk-Transfer Premium  
December 31, 2005 - December 31, 2013**



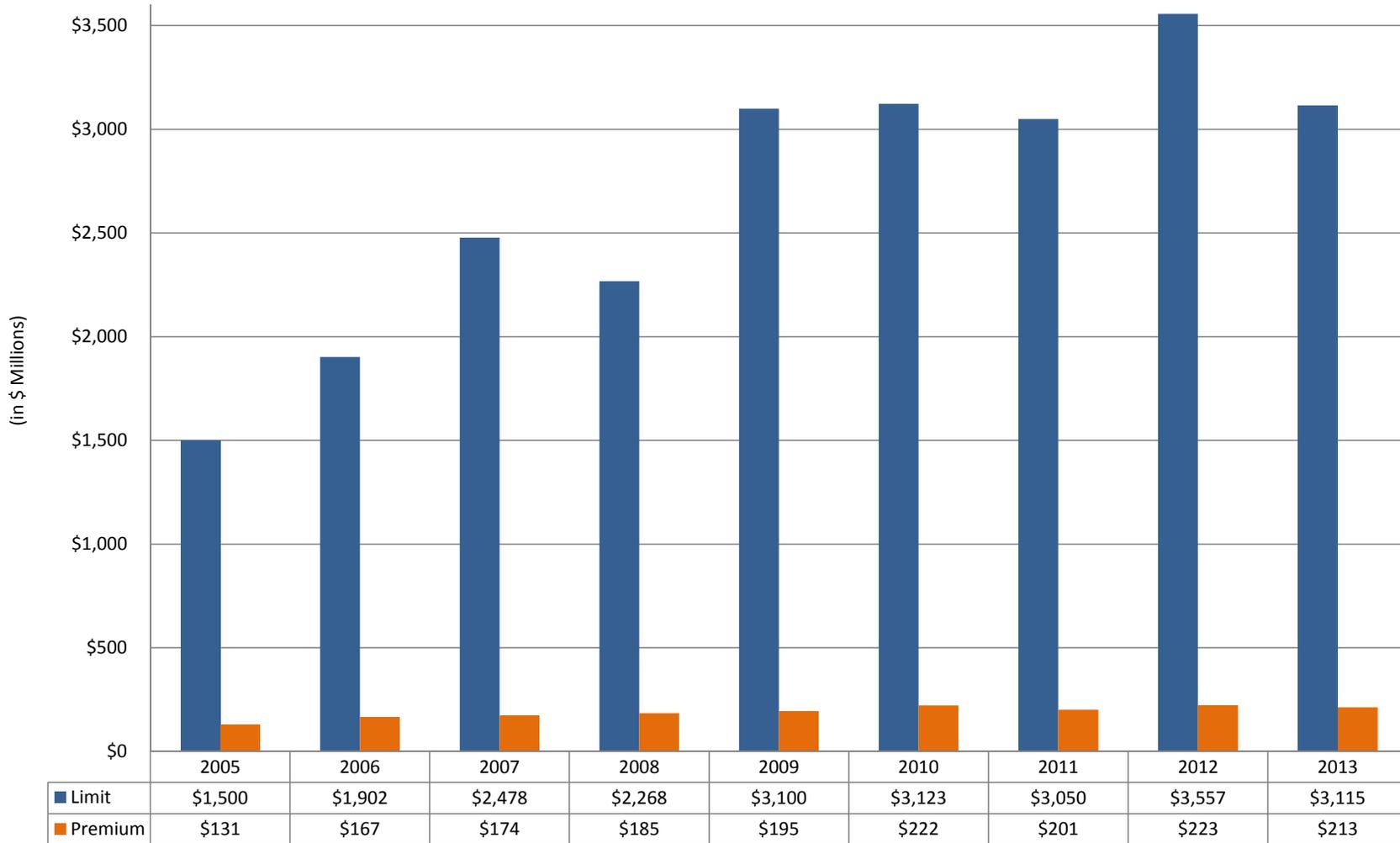
(in \$ Millions)

**California Earthquake Authority  
Annual Risk-Transfer Premium and Limit  
December 31, 1997 - December 31, 2004**



(in \$ Millions)

**California Earthquake Authority  
Annual Risk-Transfer Premium and Limit  
December 31, 2005 - December 31, 2013**



(in \$ Millions)

## Governing Board Memorandum

February 19, 2015

Agenda Item 5: CEA Participating Insurers – Maximum Earthquake-Loss-Funding-Assessment Levels

Recommended Action: Approve April 1, 2015, CEA Participating Insurer Maximum Earthquake-Loss-Funding-Assessment Levels

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### Background:

California Insurance Code section 10089.25 states,

“Beginning December 31, 1997, and annually thereafter on the 30<sup>th</sup> of April, the board shall notify each participating insurer of the maximum earthquake loss funding assessment level that it may be required to meet.”

Insurance Code sections 10089.30 and 10089.31 set forth the calculation for determining the maximum aggregate assessments for the so-called “Second Industry Assessment Layer” and “New Industry Assessment Layer” of the California Earthquake Authority (CEA) financial structure.

### Analysis:

Taking legal effect on July 1, 2008, Senate Bill 430 established the CEA’s authority to assess its participating insurers through a vehicle commonly referred to as the New Industry Assessment Layer (“New IAL”).

This assessment authority was made available to the CEA on December 1, 2008, upon the sunset by law of the CEA’s authority to assess its participating insurers in the First Industry Assessment Layer (“1<sup>st</sup> IAL”). Unlike the 1<sup>st</sup> IAL, which the CEA could access once it had exhausted its available capital (but before the use of risk-transfer financing), the New IAL sits on top of the Second Industry Assessment Layer (“2<sup>nd</sup> IAL”) in the CEA’s financial structure.

The 2<sup>nd</sup> IAL and the New IAL would be drawn on to pay policyholder claims once CEA’s available capital, proceeds from debt financing actually available and under contract, and other funds actually available and under contract for risk transfer products have been exhausted. CEA participating insurers can be assessed in either or both of those remaining IALs in order to return the CEA’s available capital to the statutory minimum capital level of \$350 million (see California Insurance Code section 10089.31).

Consistent with gradually decreasing the CEA’s dependence on its participating insurers for claim-paying capacity, the law provides that CEA’s maximum assessment capability under the

New IAL is subject to annual reductions. Under California Insurance Code section 10089.33 (b) (1)—effective April 1, 2010, and on each April 1<sup>st</sup> thereafter—the maximum aggregate assessment under the New IAL is subject to a 5% annual reduction and a separate reduction, in an amount equal to the “retained earnings differential.” As defined in California Insurance Code section 10089.33(b)(7), the retained earnings differential is calculated as:

“...the positive dollar-amount difference between: (A) the authority's positive one-year retained-earnings growth for the preceding calendar year, minus (B) the authority's capacity growth for the preceding calendar year, both calculated as of December 31. As used in this paragraph, "one-year retained-earnings growth" means the difference between the authority's cumulative retained earnings at December 31 of the preceding calendar year and the authority's cumulative retained earnings at December 31 of the year before the preceding calendar year, calculated in accordance with generally accepted accounting principles as of the preceding December 31. As used in this paragraph, the term "capacity growth" is the one-year amount of purchased risk transfer, such as reinsurance, or borrowed risk transfer such as bonds, put in place in the authority's financial structure to account for the authority's aggregate exposure growth over the preceding year ending December 31. The board shall be authorized and entitled, in its sole discretion, to make all final decisions regarding the authority's level of financial strength and security and the authority's choice and use of financing and risk-transfer mechanisms.”

*Attachment A* is the calculation of the aggregate assessment reduction, commonly referred to as the “roll-off,” of the New IAL effective April 1, 2015, as well as the resulting New IAL assessment capacity.

The assessment capacity for the 2<sup>nd</sup> IAL is also adjusted when a new company begins participating in the CEA. The adjustment takes into consideration the new participating insurer’s residential property insurance market share at the time it started transferring exposure to the CEA and adds that percentage to the combined percentage of the existing participating insurers when they started transferring exposure to the CEA. During 2014, CEA did not have a new company become a participating insurer, and therefore the aggregate total of the 2<sup>nd</sup> IAL capacity remains unchanged for 2015.

Staff has calculated each CEA participating insurer’s respective CEA earthquake market-share percentage, based on the insurer’s written CEA premiums. From this calculation, the CEA determines each insurer’s maximum earthquake loss funding assessment level for 2015.

*Attachment B* shows, for each participating insurer, the maximum earthquake loss funding assessment level it may be required to meet, upon appropriate assessment by the CEA.

#### Recommendations:

Staff recommends that:

- The Governing Board adopt the New IAL aggregate assessment amount in *Attachment A*, effective April 1, 2015.

- The Board adopt the CEA market-share percentages shown in *Attachment B*, which are to be used to determine the maximum earthquake loss funding assessment levels for CEA participating insurers, effective April 30, 2015.
- The Board authorize CEA staff to notify each participating insurer of its respective April 30, 2015, maximum earthquake-loss-funding-assessment level responsibility.

California Earthquake Authority  
Calculation of New Industry Assessment Layer Worksheet

<hr/>			
5% of Initial Maximum Aggregate Assessment (1.780 billion x 5.0%)			\$89,000,000
Retained Earnings Growth	+	270,829,359	
Capacity Growth:			
1/1/2015 - New Risk Transfer capacity		\$4,470,092,381	
Series 2006 and Series 2014 Revenue Bond proceeds	+	\$658,829,683	
12/31/2014 - Previous year Risk Transfer capacity	-	\$4,158,667,436	
Series 2006 and Series 2014 Revenue Bond proceeds	-	\$658,829,683	
Capacity Growth Previous Year	=	\$9,946,419,183	-
		\$311,424,945	
<b>Retained Earnings Differential</b>	=	(\$40,595,586)	+ \$ -
<hr/>			
<b>April 1, 2015 Aggregate Assessment Reduction</b>			<b>= \$89,000,000</b>
<hr/>			
Prior Year Modified Aggregate Assessment Calculation			\$376,373,701
April 1, 2015 Aggregate Assessment Reduction		-	\$89,000,000
Modified Aggregate Assessment as of April 1, 2015			= \$287,373,701
Residential Homeowner Market Share calculated at the time each participating insurer joined the CEA*		X	82.7793%
<b>New IAL Assessment Capacity as of April 1, 2015</b>			<b>= \$237,885,938</b>

**CEA Participating Insurers**  
**2015 Maximum Earthquake-Loss-Funding-Assessment Levels**  
**(Based on CEA Written-Premium Market Share as of December 31, 2013\*)**

<u>Company Name</u>	<u>CEA Market Share</u>	<u>CA Residential Market Share*</u>	<u>Max Assessment 2nd Layer</u>	<u>Max Assessment New Layer</u>	<u>Total Max Assessments</u>	<u>Written Premium</u>
State Farm Group	34.223604%	18.226326%	\$ 566,601,205	\$ 81,413,143	\$ 648,014,348	\$ 207,805,160
USAA <sup>2</sup>	12.768039%	0.467225%	\$ 211,385,859	\$ 30,373,367	\$ 241,759,226	\$ 77,527,319
Allstate	12.427113%	6.859377%	\$ 205,741,544	\$ 29,562,354	\$ 235,303,898	\$ 75,457,225
Farmers	12.047853%	4.474138%	\$ 199,462,576	\$ 28,660,148	\$ 228,122,724	\$ 73,154,367
Inter-Ins. Exchange	6.876939%	14.224032%	\$ 113,853,640	\$ 16,359,270	\$ 130,212,910	\$ 41,756,660
Safeco	6.107724%	4.794535%	\$ 101,118,621	\$ 14,529,415	\$ 115,648,036	\$ 37,085,998
CSAA <sup>1</sup>	4.950602%	2.332458%	\$ 81,961,478	\$ 11,776,786	\$ 93,738,264	\$ 30,059,975
Mercury	3.396040%	6.070076%	\$ 56,224,366	\$ 8,078,701	\$ 64,303,067	\$ 20,620,700
Nationwide	2.597786%	3.212121%	\$ 43,008,588	\$ 6,179,768	\$ 49,188,356	\$ 15,773,716
Liberty Mutual	2.341691%	4.013301%	\$ 38,768,703	\$ 5,570,552	\$ 44,339,255	\$ 14,218,707
FAIR Plan	0.757521%	5.109253%	\$ 12,541,406	\$ 1,802,034	\$ 14,343,440	\$ 4,599,653
Encompass	0.650457%	0.762840%	\$ 10,768,875	\$ 1,547,345	\$ 12,316,220	\$ 3,949,564
Foremost	0.554291%	1.422905%	\$ 9,176,768	\$ 1,318,580	\$ 10,495,348	\$ 3,365,647
Homesite	0.158661%	0.475282%	\$ 2,626,772	\$ 377,432	\$ 3,004,204	\$ 963,388
Armed Forces	0.097081%	0.054208%	\$ 1,607,264	\$ 230,942	\$ 1,838,206	\$ 589,476
Golden Eagle	0.029866%	0.029791%	\$ 494,463	\$ 71,047	\$ 565,510	\$ 181,348
MAPFRE	0.010832%	0.003011%	\$ 179,328	\$ 25,766	\$ 205,094	\$ 65,770
Commerce West	0.003899%	0.031188%	\$ 64,544	\$ 9,273	\$ 73,817	\$ 23,672
<b>TOTAL</b>	<b>100.00000%</b>	<b>72.56207%</b>	<b>\$ 1,655,586,000</b>	<b>\$237,885,938</b>	<b>\$ 1,893,471,938</b>	<b>\$ 607,198,345</b>

\* Based on California Department of Insurance 2013 California Market-Share Report. The Department's 2014 California Market-Share Report will not be publicly available until May 2015.

<sup>1</sup> ACA was combined with affiliated entity CSAA

<sup>2</sup> Garrison was combined with affiliated entity USAA

## Governing Board Memorandum

February 19, 2015

Agenda Item 6: Update on development of new marketing documents required by new law—produced and distributed at CEA’s expense, distribution to all participating-insurer policyholders will commence in 2016

Recommended Action: Approve augmentation to 2015 CEA budget to cover immediate research and creative costs to directly support marketing-document development

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The 2014 CEA-sponsored legislation known as Assembly Bill 2064 (Cooley) has two impacts on the CEA, taking effect on two dates a year apart:

1. Budget-related provisions took effect on January 1, 2015, adding new detail to the CEA expenditures cap.
2. Provisions that enhance the mandatory offer of earthquake insurance and—as addressed in this memo—add a brand new marketing-effort requirement will take effect on January 1, 2016.

This memorandum focuses on the approaching 2016 implementation of one sentence in that legislation: *At least once each year a participating insurer shall provide each of its residential property insureds with marketing documents produced at the authority’s expense.* [Insurance Code sec. 10089.42, subd. (a)]

### Background:

CEA reached out to all of its participating insurers (PIs) in mid-November 2014 to collect company-specific information to permit the CEA to map out and fulfill the annual “marketing documents” requirement. Nine of 19 PIs responded to CEA’s request. The CEA then scheduled conference calls to collect the following input from those PIs that made themselves available:

1. Timing for distribution (at time of renewal/other):
  - a. *Nearly all responding PIs recommended mailing the CEA marketing documents at the same time PIs distribute information about renewing home-insurance policies.*
2. Format and delivery method (USPS mail/email; letter/postcard; homeowner, condo owner, and renter policies):
  - a. *All responding PIs opposed email and recommended USPS mail.*
  - b. *Opinions on letter vs. post card varied—many wished to see the proposed creative execution(s) before making conclusions.*

- c. *Consensus was that while a different version of the marketing document for each CEA policy type (homeowners, condo owners, renters) would be most effective in selling CEA policies, producing just one version that covers all CEA policy types would be more efficient for PIs to mail.*
3. Production (in-house/PI contractor/CEA contractor):  
*Some existing PI systems that prepare mailed home-insurance renewals are black-ink only and can process only limited variation in paper weight. Most need to be “loaded” six months in advance.*
  4. Possibility for cobranding:  
*All responding PIs were open to PI-CEA cobranding for these mailings to their home-insurance policyholders.*
  5. Policyholder direction for more information (call center/agent-sales considerations):  
*While all responding PIs acknowledged the benefits of offering agent/producer contact information in this mailing, they also noted potential impacts to their IT systems and call centers.*
  6. Coordination of CEA/PI “heads-up” communications with agents:  
*All responding PIs were open to coordinating “heads-up” information for their agents/producers; most asked for assistance producing content to fulfill this need.*

Following completion of first-round planning discussions between CEA and responding PIs about timing, format, printing, cobranding, contact information (for CEA policy sales), and agent/producer coordination, CEA distributed to PIs a follow-up request for estimated printing and postage costs:

1. Costs for envelopes
2. Costs to print two pages of content:
  - a. Page 1:
    - Folded letter of introduction on 8.5x11 PI letterhead stock
    - Two introductory paragraphs drafted by PI (key PI home-insurance policy features)
    - Two body paragraphs drafted by CEA (new CEA policy options)
    - One closing paragraph drafted by PI (how to purchase a CEA policy)
    - Signed by agent or appropriate PI representative
    - Back is blank
  - b. Page 2:
    - CEA policy options presented in four-color infographics
3. Costs for postage and handling

As of February 6, the CEA had received estimates of costs to print and distribute the marketing document from eight of 19 PIs. Estimates now in hand generally conform to professional print-production rules-of-thumb: the more items you print, the less each item will cost to print. In other words, lower per-item costs incurred when mailed by larger PIs to more home-insurance

policyholders, or, higher per-item costs incurred when mailed by smaller PIs to fewer home-insurance policyholders.

After merging these estimates, and applying print production rules-of-thumb, CEA is now working to structure an actual PI-cost reimbursement scenario.

CEA staff will present more printing- and postage-cost information to support AB 2064 implementation at the Governing Board meeting in May 2015, and will submit a related 2016 budget request at the Board meeting in August 2015.

While working to develop a sound structure to reimburse PIs their reasonable costs for production and distribution of the required marketing document, CEA is also working with its experts to deliver a creative concept that will encourage home-insurance policyholders with no earthquake insurance to contact their agent/producer to buy a CEA policy.

Responsibly producing a marketing document to satisfy AB 2064's requirements will require consideration of the following factors:

1. One creative concept to cover three policy types that survives rigorous consumer testing.
2. Integration with CEA's planned 2016 campaign, which showcases new CEA policy options and lower rates.
3. Carefully managing through the several millions of dollars that full production and related postage will represent.
4. A first-time distribution to more than 8.5 million Californians.
5. Using efficiency and sensitivity to deal with 19 different non-CEA IT systems, one for each of the CEA's 19 participating insurers.

The creative concept developed in view of these considerations will serve as the "heartbeat" for CEA's communications effort in 2016 and beyond, so staff will adjust related marketing communications accordingly.

Therefore, and knowing this creative concept will evolve to align with the CEA's radio, TV, and online advertising, CEA staff proposes at this point to spend up to \$43,755 through an augmentation to CEA's 2015 budget.

And to ensure accuracy of CEA messaging sent through its participating insurers, CEA is proposing another round of consumer research (*California Rocks!* was the result of such research in 2013) to test new direct-mail concepts that will prompt residents to learn more about new earthquake insurance options and buy a policy:

1. Test three direct-mail concepts.
2. Engage with residents in three markets—San Francisco, Los Angeles, and San Diego.
3. Cover three policy-types in each market—homeowners, condo owners, renters.
4. Moderate research discussions and interpret results through an independent moderator.

Performing this needed message-validation research will require an augmentation of \$137,895 to the CEA's 2015 budget.

Budget terminology:

- Both of the AB 2064-related augmentations (as well as future expenditures of this type) will be captured in a new CEA budget sub-item entitled “Statutory Market Support and Promotion.”
  - The expenditures in that budget sub-item will roll up to (an existing) line item entitled “Participating Insurer Operating Costs.”
  - Joining that new sub-item will be an additional sub-item called “Policy Services,” which captures the fees that the CEA pays to its participating insurers in return for policy-related services by the PIs.
- Because these expenditures will be a hybrid of marketing expense and the costs associated with securing participating-insurer engagement—both of which are non-statutory expenses under the recent law change—these expenditures/augmentations are not subject to the statutory six-percent expenditure cap.

Recommendation:

Approve two augmentations to the CEA’s 2015 budget as expenses to accommodate the AB 2064 mandate, in a total amount of \$181,650, split as noted above, to cover new creative-material development and the supporting consumer research.

## Governing Board Memorandum

February 19, 2015

Agenda Item 7: Update on status of CEA’s new website

Recommended Action: Information only

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Updating CEA’s website involved more than delivery of a new look and feel—selecting an appropriate platform on which the new website would be built, and creating new content and design, required considerable expertise and coordination.

### Background:

CEA’s existing website was not built on a platform that integrated with other CEA information systems, and it did not include a content management system. As a result, website updates were time-consuming and could be performed only by IT staff.

Representing a dramatic departure, the new site—launched on February 18, 2015—is built on a SharePoint platform, which will allow for near real-time pre- and post-event updates by communications staff, as well as capacity for new tools and features, including social media:

1. New design delivers a modern, accessible look and feel.
2. Sections of Web-friendly content have been created for consumers, agents, and adjusters:
  - a. Consumer information focuses on preparedness, recovery, and CEA-policy education.
  - b. Sections for adjusters focuses on claims.
  - c. Agent information is written in “industry-speak” and focuses on sales.

While the CEA website now averages 17,000 to 20,000 users per month, staff currently cannot differentiate for analytical purposes between consumers and agents. With CEA’s new website, staff can analyze consumer and agent traffic separately and promptly refresh content.

Additionally, the premium calculators on the Earthquake Authority and *California Rocks!* websites now present consistent user experiences.

CEA’s new website has launched on schedule, before the release of CEA’s new agent portal and direct-mail offering on March 2 and rollout of CEA’s broadcast-advertising plan on April 2.

Though the new website has been online a short while, CEA has plans underway for optimizing the new design to accommodate mobile access later this year.

### Recommended action:

Information only.

# Governing Board Memorandum

February 19, 2015

- Agenda Item 8: CEA Mitigation Program:
- Pre-standard project (ATC 110)
  - South Napa earthquake-related research project
- Recommended Actions:
- Pre-standard project (ATC 110): Information only, no action required
  - South Napa earthquake-related research project: Information only, no action required
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## Background and Analysis:

The California Earthquake Authority and the Applied Technology Council (“ATC”) contracted in November 2013 to collaborate on a project entitled *ATC 110: Development of a Prestandard for the Evaluation and Retrofit of One and Two Family Light Frame Residential Buildings*.

The objective of this multi-year project is to develop a pre-standard<sup>1</sup> for the evaluation and retrofit of one- and two-family light-frame residential buildings. Currently there are detailed standards in the form of guidelines and model codes that were developed for the analysis and retrofit of commercial and multi-family structures. Many of these model codes have been adopted, by reference, into the California Existing Building Code.

There is only one existing standard for the retrofit of single-family residential structures. That standard is Appendix Chapter A3 (Chapter A3) of the International Existing Building Code, entitled *Prescriptive Provisions for Seismic Strengthening of Cripple Walls and Sill Plate Anchorage of Light, Wood-framed Residential Buildings*.

There are many conditions in structures built before modern seismic codes that make them vulnerable to disruptive, costly, and dangerous earthquake damage. Other than Chapter A3, however, no prescriptive guidelines or plan-sets exist for the seismic retrofit of these vulnerabilities.

Because additional guidelines are needed to create a more seismically resilient California, ATC 110 will build on available technical-resource documents, extending them beyond their current reach to develop a single, standalone engineering-resource document that addresses both

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<sup>1</sup> A “pre-standard” or sometimes “prestandard” is an approved model or something considered by an authority or by general consent as a basis of comparison.

structural and nonstructural evaluation and retrofit of wood light-frame residential buildings. The beneficiaries will be homeowners who wish to improve the expected seismic performance of their houses.

The work is co-funded by the CEA and the Federal Emergency Management Agency (FEMA).

At the December 17, 2014, CEA Governing Board meeting, the Board approved moving forward with the following ATC 110 tasks:

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**Recommendations for Prioritizing Tasks:**

<b>Priority Level</b>	<b>Task or Engineering Study</b>	<b>Approximate Timeline</b>
1	1.2 General Requirements	1 year
2	1.3 Cripple Walls and Anchorage to Foundation	3 years
	1.4 House or Room over Garage or Deck	
	1.5 Hillside Dwellings	

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The ATC Program Manager and Project Technical Committee (PTC) co-chairs have been working on a detailed 2015–2017 work plan. Additional computer modeling has also been completed, as of early 2015.

The PTC is expected to meet in February to proceed with the 2015 scope of work.

**Update on proposed mitigation-related research: South Napa Earthquake**

**Background and Analysis:**

On August 24, 2014, at 3:20 a.m., a magnitude 6.0 earthquake struck in the American Canyon area, just south of Napa, California. According to the Santa Rosa Press Democrat the quake killed one person and injured 200, including a young man gravely injured when bricks from a fireplace fell on him.

This research project seeks to compile information on the performance of single-family dwellings during the South Napa earthquake. No data currently exist to identify seismically retrofitted and non-retrofitted single-family-dwelling performance in Napa, Solano, and Sonoma Counties.

With full cooperation from the Mayor of Napa and her staff, the CEA will begin in late February to advertise the research project to homeowners through direct mail, door hangers, local newspapers, and local media. The information will be provided in both English and Spanish.

Napa residents will be encouraged to participate by completing an online survey. Respondents who are willing to allow an inspection of their crawlspace will be asked to sign up for a second, more comprehensive phase of the project.

## Governing Board Memorandum

February 19, 2015

Agenda Item 9: Update: California Residential Mitigation Program  
(Earthquake Brace+Bolt – Funds to Strengthen Your  
Foundation)

Recommended Actions: No action required – information only

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### Background and Analysis:

The California Residential Mitigation Program (CRMP) is a joint powers authority created by the California Earthquake Authority and the Governor's Office of Emergency Services.

- CRMP was established to carry out mitigation programs to assist California homeowners who wish to seismically retrofit their houses.
- CRMP's goal is to provide grants and other types of assistance and incentives for these mitigation efforts.
- Earthquake Brace + Bolt (EBB) is the first CRMP incentive program.

After its pilot efforts in 2014, EB+B is actively expanding its program.

- On January 15, 2015, EBB opened homeowner registration in 26 ZIP Codes in six cities—Oakland, San Francisco, San Leandro, Los Angeles, Pasadena and Santa Monica.
- The goal of this expansion is to complete 575 retrofits.

Selected owners of houses in program ZIP Codes are eligible for an incentive payment of up to \$3,000 to help pay costs associated with seismically retrofitting their houses.

In early January, program staff began an active marketing campaign (direct mail, door hangers, email, advertising, and media outreach) to encourage homeowners in the target ZIP Codes to register online for the incentive program at [EarthquakeBraceBolt.com](http://EarthquakeBraceBolt.com). Registration closed on February 15, 2015.

As of February 11, those qualified and registered in the six cities were as follows.

Oakland	519
San Francisco	198
San Leandro	229
Los Angeles	445
Pasadena	332
Santa Monica	20
<b>Total qualified and registered</b>	<b>1,743</b>

Homeowners will be notified on March 2, 2015, if they have been selected in a random-selection process to participate. They will then have 30 days to receive a building permit and then six months to complete their retrofit.

At the February 3, 2015, CRMP governing board meeting, an additional expansion of EBB to 75 houses in the City of Napa was approved. Homeowner registration for the Napa program will be open March 2 through April 2, 2015.

## **Governing Board Memorandum**

February 19, 2015

Agenda Item 10:                      Progress Report on the 2015 CEA IT Project Portfolio

Recommended Action:              No action required – information only

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Chief Information Officer Todd Coombes will present an update on the 2015 CEA IT Project Portfolio, including progress, changes, and expenditures.

### CEA Project Portfolio 2015 - Planned Schedules and Cost

February 2015

<table style="border: none;"> <tr><td style="width: 15px; height: 15px; background-color: #92d050; border: 1px solid black;"></td><td>Completed</td></tr> <tr><td style="width: 15px; height: 15px; background-color: #add8e6; border: 1px solid black;"></td><td>Active/Continued</td></tr> <tr><td style="width: 15px; height: 15px; background-color: #add8e6; border: 1px solid black;"></td><td>Planned</td></tr> </table>		Completed		Active/Continued		Planned	<table style="border: none;"> <tr><td style="width: 15px; height: 15px; background-color: #cccccc; border: 1px solid black;"></td><td>HOLD / Deferred</td></tr> <tr><td style="width: 15px; height: 15px; background-color: #cccccc; border: 1px solid black;"></td><td>Cancelled</td></tr> </table>		HOLD / Deferred		Cancelled
	Completed										
	Active/Continued										
	Planned										
	HOLD / Deferred										
	Cancelled										

Portfolio # (Prelim)	Project Name	Description	2015												Expense Category	External Cost Budget (Statutory)	External Cost Budget (Non- Statutory)	Actual Total Cost To Date	
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec					
2015-01	CEA Policy Review and Implementation in PolicyTech	IT policy review and implementation within PolicyTech followed by														Compliance	\$ -		
2015-02	Compliance Hotline	Implement a telephone Hotline for Compliance														Compliance	\$ 77,980.00		
2015-03	Enterprise Content Management System (ECMS)	Continue 2014 ECMS implmentation including records retention and														Compliance	\$ 121,380.00		\$ 3,762.56
2015-04	HR Software Implementation	Implementation of CEA HR system (SilkRoad) selected in 2014														HR	\$ 50,960.00		
2015-05	Virtual Desktop Infrastructure (VDI) Implementation	Design and implement Virtual Desktop Infrastructure (VDI) for CEA														IT	\$ -		
2015-06	Litigation Management System	Select and implement software services to manage and track														Legal Services		\$ 52,920.00	
2015-07	Outside Counsel Management System	Select and implement software services to manage attorneys and														Legal Services		\$ 45,500.00	
2015-08	Develop Agent Interface for Rate Calculator	Develop rate calculator interface accessible through MVP portal														Marketing		\$ 140,000.00	
2015-09	Customer Relationship Management (CRM) System	Continue 2014 CRM project to implement system selected														Marketing		\$ 22,580.00	
2015-10	Fault Flyover Map Development	Develop 12 fault flyover maps, similar to those created by the LA														Marketing		\$ 35,000.00	
2015-11	Migrate CEA Externally Hosted Websites to Internal	Migrate <i>getpreparedcalifornia.org</i> and <i>EarthquakeRecovery.com</i> to														Marketing		\$ 15,260.00	
2015-12	MVP 2015/2016	Complete MVP 2015 and implement MVP 2016														Marketing		\$ 170,240.00	\$ 39,264.00
2015-13	Social Media Software Implemetation	Identify and integrate social media software with CRM and other														Marketing		\$ 19,600.00	
2015-14	2016 Rate and Form Change	Development and delivery of a CEA Rate and Form filing														Operations	\$ 112,000.00		\$ 16,596.00
2015-15	New Participating Insurer Setup	Add new participating insurer(s)														Operations	\$ -		
2015-16	Zip Code Management Solution	Solution or service to identify and store modified or new zip codes														Operations	\$ -		
2015-17	Reinsurance Management System	Selection or development, and implementation of reinsurance														Reinsurance		\$ 13,580.00	
2015-18	CRMP / EBB New Platform	Relocate CRMP hosting from off-site vendor to CEA-hosting														CRMP			
2015-19	EQ Premiums & Coverages App (Android/iOS)	Mobile Web App for agents/consumers to generate quotes														IT			
							<b>Totals</b>										<b>\$ 362,320.00</b>	<b>\$ 514,680.00</b>	<b>\$ 59,622.56</b>

**\$877,000.00**

## 2015 Project Portfolio - Scorecard

February 2015

Schedule	Scope	External Resources	Project Cost	Overall Score	Portfolio #	Project Name	PM	Status	Target Start Date	Start Date	Project % Complete	Target End Date	End Date	Expense Category	External Cost Budget (Statutory)	External Cost Budget (Non-Statutory)	Actual Total Cost To Date
●	●	n/a	●	●	2015-01	CEA Policy Review and Implementation in PolicyTech	TBD	Not Started	04/01/15	04/01/15	0%	12/31/15	12/31/15	Compliance	\$ -		\$ -
●	●	✓	●	●	2015-02	Compliance Hotline	Phil Pluckebaum	Not Started	06/01/15	06/01/15	0%	12/31/15	12/31/15	Compliance	\$ 77,980.00		\$ -
●	●	✓	●	●	2015-03	Enterprise Content Management System (ECMS)	Phil Pluckebaum	Active	12/04/14	01/12/15	10%	04/12/15	04/12/15	Compliance	\$ 121,380.00		\$ 3,762.56
●	●	✓	●	●	2015-04	HR Software Implementation	TBD	Not Started	06/01/15	06/01/15	0%	12/31/15	12/31/15	HR	\$ 25,750.00		\$ -
●	●	n/a	●	●	2015-05	Virtual Desktop Infrastructure (VDI) Implementation	TBD	Not Started	04/01/15	04/01/15	0%	12/31/15	12/31/15	IT	\$ -		
●	●	✓	●	●	2015-06	Litigation Management System	Phil Pluckebaum	Not Started	04/13/15	04/13/15	0%	05/21/15	05/21/15	Legal Services	\$ -	\$ 52,920.00	\$ -
●	●	✓	●	●	2015-07	Outside Counsel Management System	Phil Pluckebaum	Not Started	05/22/15	05/22/15	0%	06/30/15	06/30/15	Legal Services	\$ -	\$ 45,500.00	\$ -
●	●	✓	●	●	2015-08	Develop Agent Interface for Rate Calculator	TBD	Not Started	04/01/15	04/01/15	0%	12/31/15	12/31/15	Marketing	\$ -	\$ 140,000.00	\$ -
●	●	✓	●	●	2015-09	Customer Relationship Management (CRM) System	Stephenie Dagata	Active	10/01/14	10/01/14	30%	12/31/15	12/31/15	Marketing	\$ -	\$ 22,580.00	\$ -
●	●	✓	●	●	2015-10	Fault Flyover Map Development	Stephenie Dagata	Not Started	04/01/15	04/01/15	0%	12/31/15	12/31/15	Marketing	\$ -	\$ 35,000.00	\$ -
●	●	✓	●	●	2015-11	Migrate CEA Externally Hosted Websites to Internal	TBD	Not Started	04/01/15	04/01/15	0%	12/31/15	12/31/15	Marketing	\$ -	\$ 15,260.00	\$ -
●	●	✓	●	●	2015-12	MVP 2015/2016	Charlie Pfeiffer	Active	05/01/14	05/01/14	85%	02/09/15	02/26/15	Marketing	\$ -	\$ 170,240.00	\$ 39,264.00
●	●	✓	●	●	2015-13	Social Media Software Implemetation	TBD	Not Started	04/01/15	04/01/15	0%	12/31/15	12/31/15	Marketing	\$ -	\$ 19,600.00	\$ -
●	●	✓	●	●	2015-14	2016 Rate and Form Change	Terri Kletzman	Active	07/01/14	07/01/14	5%	12/31/15	12/31/15	Operations	\$ 137,210.00		\$ 16,596.00
●	●	✓	●	●	2015-15	New Participating Insurer Setup	Jyothsna Patti	Not Started	04/01/15	04/01/15	0%	12/31/15	12/31/15	Operations	\$ -		\$ -
●	●	n/a	●	●	2015-16	Zip Code Management Solution	Jyothsna Patti	Not Started	04/01/15	04/01/15	0%	12/31/15	12/31/15	Operations	\$ -		\$ -
●	●	n/a	●	●	2015-17	Reinsurance Management System	TBD	Not Started	01/12/14	01/12/14	0%	12/31/15	12/31/15	Reinsurance	\$ -	\$ 13,580.00	\$ -
●	●	✓	●	●	2015-18	CRMP / EBB New Platform	Charlie Pfeiffer	Active	01/05/14	01/05/14	5%	03/26/15	03/26/15	CRMP	\$ -	\$ -	\$ -
●	●	n/a	●	●	2015-19	EQ Premiums & Coverages App (Android/iOS)	Charlie Pfeiffer	Not Started	04/01/15	04/01/15	0%	12/31/15	12/31/15	IT	\$ -	\$ -	\$ -
															\$362,320	\$514,680	\$59,623
																\$877,000	

## 2015 Project Portfolio - Risk Summary

February 2015

Portfolio #	Project Title	Risk Category	Risk Description	Risk Response (Strategy)	Risk Response	Probability (1-5)	Impact (1-5)	P&I Score
2015-12	MVP 2015/2016	Schedule Risk	The complexity/effort to complete the project by 2/9/15 was greater than anticipated.	Accept: Project launch date moved from 2/9/15 to 2/26/15	Accepted	5	3	15
2015-12	MVP 2015/2016	Scope Risk	The effort to develop some of the desired features could not be completed within the timeline of the project.	The development team identified alternatives to the defined scope that could be implemented with out of the box SharePoint solutions, so there would be minimal impact to the project scope.	Mitigated	5	3	15
2015-14	2016 Rate and Form Change	Scope Risk	The formal approval of the rate filing from the DOI is anticipated 3/10/15 and mid-June for the rate approval and the project timeline is based on those dates. If the scope or schedule changes based on the DOI response, the scope/schedule/budget could change.	The project is based on an estimated DOI filing approval of 3/10 and mid June. If scope/budget/schedule changes, than the project scope/schedule/budget will shift accordingly.	Accepted	5	5	25

## 2015 Project Portfolio - Change Summary

February 2015

Portfolio #	Project Name	Description of Change	Reason
2015-03	Enterprise Content Management System (ECMS)	Start date changed from 12/4/14 to 1/12/15. End date changed from 4/12/15 to 12/31/15.	After initial project scoping, business partners decided to move project to 2015 portfolio based on SME availability
2015-12	MVP 2015/2016	End date changed from 2/9/15 to 2/26/15.	Additional time required to complete development and testing.

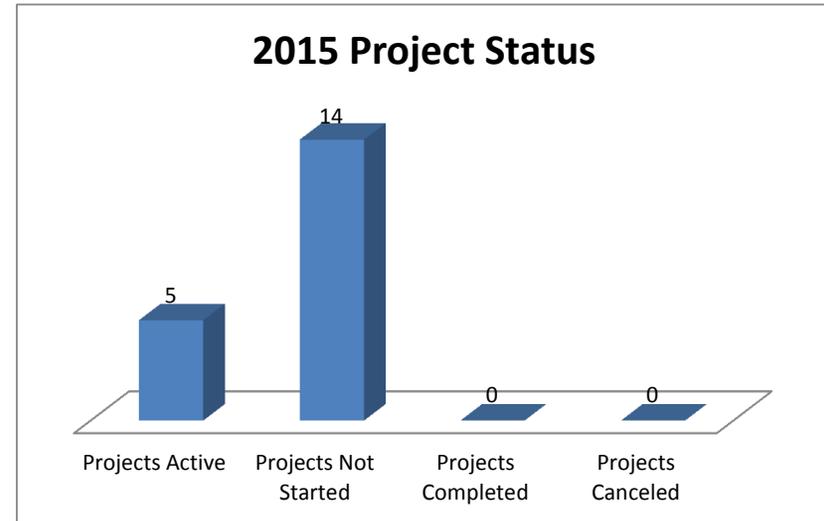
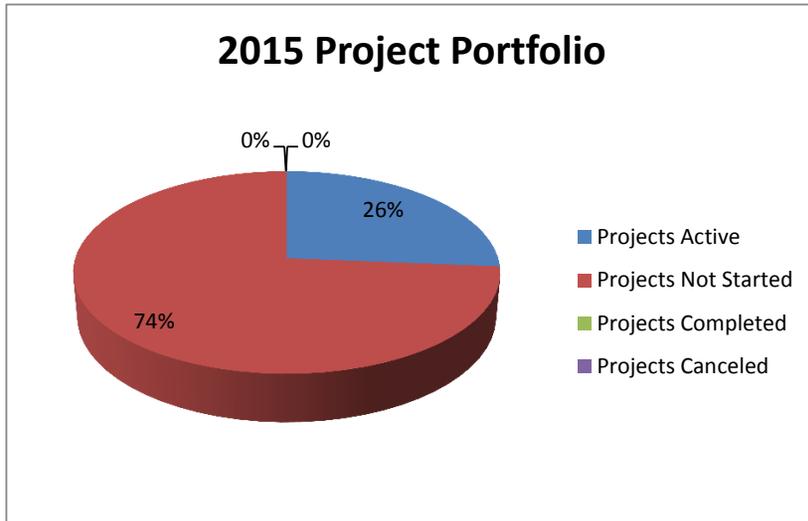
## 2015 Project Portfolio - Project Dictionary

February 2015

Portfolio #	Project Name	Description
2015-01	CEA Policy Review and Implementation in PolicyTech	This project includes the Implementation of CEA policies and procedures into the PolicyTech management software tool. It will serve CEA as a centralized database for all CEA policies and procedures.
2015-02	Compliance Hotline	Implement a telephone Hotline for Compliance
2015-03	Enterprise Content Management System (ECMS)	Deploy Enterprise Content Management Solution.
2015-04	HR Software Implementation	This project is to coordinate activities around implementation of CEA HR system. The HR system will serve as a multifunctional HR software tool supporting activities such as onboarding, off boarding, benefits management, and performance reviews among others.
2015-05	Virtual Desktop Infrastructure (VDI) Implementation	Complete and implement Virtual Desktop Infrastructure (VDI) for deployment of remote desktop services architecture.
2015-06	Litigation Management System	Select and implement a system to manage and track Litigation coverage.
2015-07	Outside Counsel Management System	Select and implement a management tool to manage external and internal counsel and their tasks.
2015-08	Develop Agent Interface for Rate Calculator	Develop new rate calculator interface aimed at Agent users, accessible through the Agent extranet (MVP), on earthquakeauthority.com.
2015-09	Customer Relationship Management (CRM) System	Implementation of a new CRM tool. Introduce/integrate and train CEA departments that will be using the CRM system.
2015-10	Fault Flyover Map Development	Develop 12 fault flyover maps, similar to those created by the L.A. Times; one per each of CEA's 12 California risk areas.
2015-11	Migrate CEA Externally Hosted Websites to Internal	Migrate getpreparedcalifornia.org and EarthquakeRecovery.com to in-house hosting with associated CMS process.
2015-12	MVP 2015/2016	Complete MVP 2015 and implement Coms Marketing Incentive Program.
2015-13	Social Media Software Implementation	The original scope of this project was to research and select a software tool that would enable Comms to execute the CEA social media campaign.
2015-14	2016 Rate and Form Change	Implement the 2016 Rate and Form Filing changes.
2015-15	New Participating Insurer Setup	Add new participating insurer(s).
2015-16	Zip Code Management Solution	Implement a solution or service to identify and store modified or new zip codes.
2015-17	Reinsurance Management System	This project includes providing consulting services to Finance for vendor selection and implementation of a reinsurance management tool that will enable Finance team to proactively manage and track the reinsurance activities.
2015-18	CRMP / EBB New Platform	Develop new platform for EBB program.
2015-19	EQ Premiums & Coverages App (Android/iOS)	Develop a Mobile Web Application that will allow users to generate premium quotes for all CEA coverage types and all coverage options from their mobile devices.

## 2015 Project Portfolio

February 2015



Active Projects	
2015-03	Enterprise Content Management System (ECMS)
2015-09	Customer Relationship Management (CRM) System
2015-12	MVP 2015/2016
2015-14	2016 Rate and Form Change
2015-18	CRMP / EBB New Platform

Planned Projects (Not Started)	
2015-01	CEA Policy Review and Implementation in PolicyTech
2015-02	Compliance Hotline
2015-04	HR Software Implementation
2015-05	Virtual Desktop Infrastructure (VDI) Implementation
2015-06	Litigation Management System
2015-07	Outside Counsel Management System
2015-08	Develop Agent Interface for Rate Calculator
2015-10	Fault Flyover Map Development
2015-11	Migrate CEA Externally Hosted Websites to Internal
2015-13	Social Media Software Implementation
2015-15	New Participating Insurer Setup
2015-16	Zip Code Management Solution
2015-17	Reinsurance Management System
2015-19	EQ Premiums & Coverages App (Android/iOS)

## Governing Board Memorandum

February 19, 2015

Agenda Item 11: Update on progress on the concept for centralizing the processing of CEA policies

Recommended Action: No action required – information only

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Chief Information Officer Todd Coombes will update the Board on progress made on the concept for centralizing the processing of CEA policies.

## Governing Board Memorandum

February 19, 2015

Agenda Item 12: Request for 2015 CEA budget augmentation to support the design and development of a CEA mobile Web application

Recommended Action: Approve a \$290,400 augmentation of the CEA 2015 non-statutory budget to fund this design and development—to be implemented as an additional marketing project in the 2015 IT Project Portfolio

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### Background:

In late 2014 a project was added to the 2014 IT Project Portfolio to develop a prototype mobile Web application that would bring an intuitive and interactive approach to calculating CEA earthquake insurance premium.

The project was completed in December and resulted in a prototype mobile Web application with a user experience designed to easily “dial-in” combinations of desired CEA policy options and premiums.

While the development of the prototype mobile Web application was successful, it will not be made production ready in its current state because there are strategic opportunities to develop additional enhancements and make a larger positive impact with a new mobile Web application later this year: The application’s approach to selecting policy options and calculating corresponding premiums will provide significant value to agents and consumers when more policy options roll out as a result of the January 1, 2016, CEA policy, rate, and form filing.

The mobile Web application will also add value in other areas. The addition of a broadly distributed “Mandatory Awareness” marketing document in 2016 will give consumers an opportunity to learn more about the CEA through an annual mailing from CEA participating insurers. Including instructions in the mailing for easily accessing the mobile Web application will provide additional benefit to consumers, allowing them to visit the CEA online and determine their personal best-fit of CEA policy options and premiums.

Since the development of the prototype mobile Web application was still in progress when the 2015 IT Project Portfolio was finalized, there was no initial project included in the 2015 IT Project Portfolio to enhance the mobile Web application and make it production-ready. Now that the prototype app is complete, CEA staff desires to move forward with the mobile Web application, both for its inherent benefits and for the combined benefits with other CEA strategic initiatives.

For this reason, CEA staff recommends adding a project to the 2015 IT Project Portfolio to design and develop a *production* version of the mobile Web application.

This will require additional external labor at an estimated cost of \$290,400 to complete the project by September 1, 2015—in time for rollout of the CEA policy, rate, and form filing changes.

Analysis:

Enhancements to the prototype mobile Web application will include:

- Support for CEA policy changes required as part of the January 1, 2016, CEA policy, rate, and form filing
- Design alignment with the “Mandatory Awareness” marketing document to be implemented in 2016
- Providing a foundation for future strategic marketing mobile Web applications
- Hardening from a prototype into a supported production product
- Additional agent and consumer functionality, as time permits.

CEA IT staff has completed its analysis to determine the level of effort necessary to successfully deliver this project, given the completion deadline of September 1, 2015, and other dependencies arising from the CEA policy, rate, and form filing and the Mandatory Awareness marketing document initiative.

- General design and usability features must be defined in March 2015, to align with the Mandatory-Awareness marketing document design efforts.
- The CEA policy-quote Web service changes required for rate and form filing are also required for the mobile Web application in order to perform premium calculations. This will not be ready until July 2015.
- These deadlines and dependencies leave specific and narrow windows of opportunity to successfully develop and deliver the mobile Web application.
- Estimates for external design, analysis, development, and quality assurance resource labor required are based on planned external contractor hours and projected market rates and total \$290,400.

Recommendation:

Approve a \$290,400 augmentation of the CEA 2015 non-statutory budget to fund the design and development of a mobile Web application to be implemented as an additional marketing project in the 2015 IT Project Portfolio.

## **Governing Board Memorandum**

February 19, 2015

Agenda Item 13:                   Development of organizational performance metrics

Recommended Action:        No action required – information only

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Chief Executive Officer Glenn Pomeroy will update the Governing Board on the development of organizational performance metrics for the CEA.

## Governing Board Memorandum

February 19, 2015

Agenda Item 14: Planning for evaluation of CEO Glenn Pomeroy under the CEA's *Executive Performance Management Plan*

Recommended Actions: Designate a Governing Board member to conduct the annual appraisal of the CEO's performance and report recommendations to the Board

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### Background:

Under the CEA's *Executive Performance Management Plan* (PMP) the Governing Board adopted in 2002, the CEO's performance is reviewed by the Board each year. The CEA's PMP appraisal process allows a full assessment of the CEO's accomplishments in the previous year and provides for feedback to the executive employee and guidance to enhance future performance.

### Analysis:

Glenn Pomeroy joined the CEA as its Chief Executive Officer in the spring of 2008, and it is again time for the Board to delegate to one of its members the groundwork of appraising Mr. Pomeroy's previous-year performance under the PMP, with the proviso that the resulting findings, appraisal, and any recommendations be brought to the Board for action.

### Recommendation:

To initiate the PMP process for Mr. Pomeroy for the current evaluation period, the Board should designate one of its members to conduct the CEO evaluation, with the proviso that the reviewer's findings, appraisal, and recommendations, including compensation recommendations, be brought to the Board for consideration and action.

**California Earthquake Authority**

**Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to December 31, 2014**

Event Code	Event Name	Date of Event	Magnitude	Location	# of Paid Claims	Losses Paid	LAE Paid	Total Paid Losses & LAE
98010	Chino	1/5/1998	4.3	3 mi. W of Chino	1	\$1,385.72	\$124.71	\$1,510.43
98050	San Juan Bautista	8/12/1998	5.3	7 mi. SSE of San Juan Bautista	1	161,204.93	13,643.13	\$174,848.06
98070	Redding	11/26/1998	5.2	3 mi. NNW of Redding	1	4,029.72	362.67	\$4,392.39
	1998 Minor Quakes				2	4,199.20	377.93	\$4,577.13
99050	Hector Mine	11/16/1999	7.0	28 mi. N of Joshua Tree (near Palm Springs)	25	137,361.81	12,362.47	\$149,724.28
	1999 Minor Quakes				1	4,037.26	363.35	\$4,400.61
00030	Napa	9/3/2000	5.2	17 mi. ESE of Santa Rosa; 6 mi. NNE of Sonoma; 3 mi. WSW of Yountville	15	278,130.07	25,031.71	\$303,161.78
01010	Ferndale	1/13/2001	5.4	53 mi. WNW of Ferndale	1	34,764.54	3,128.79	\$37,893.33
	2001 Minor Quakes				1	52,896.82	4,760.70	\$57,657.52
01040	West Hollywood	9/9/2001	4.2	West Hollywood	10	67,044.15	6,033.94	\$73,078.09
	2002 Minor Quakes				1	8,361.24	752.51	\$9,113.75
03090	San Simeon	12/22/2003	6.4	7 mi. NE of San Simeon	84	2,692,628.02	242,339.74	\$2,934,967.76
04120	Parkfield	9/28/2004	6.0	7 mi SSE of Parkfield	1	7,032.59	632.93	\$7,665.52
07240	Chatsworth	8/9/2007	4.5	4 mi NNW of Chatsworth	1	7,813.88	703.24	\$8,517.12
07250	Alum Rock	10/30/2007	5.6	5 mi NNE of Alum Rock	1	6,149.20	553.42	\$6,702.62
08280	Chino Hills	7/29/2008	5.4	5.5 mi SE of Diamond Bar	8	145,967.19	13,089.08	\$159,056.27
09320	Calexico	12/30/2009	5.9	22.7 mi SE of Calexico	1	275.88	24.83	\$300.71
	2009 Minor Quakes				2	8,627.67	776.49	\$9,404.16

## California Earthquake Authority

### Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to December 31, 2014 (continued)

Event Code	Event Name	Date of Event	Magnitude	Location	# of Paid Claims	Losses Paid	LAE Paid	Total Paid Losses & LAE
10330	Ferndale	1/9/2010	6.5	27 mi W of Ferndale	3	23,901.50	2,151.13	\$26,052.63
10360	Baja California Mexico	4/4/2010	7.2	16 mi SW from Guadalupe Victoria, Mexico	17	81,066.58	7,296.00	\$88,362.58
	2010 Minor Quakes				1	225,000.00	0.00	\$225,000.00
12410	Brawley	8/26/2012	5.3	4 mi North of Brawley, CA	2	23,833.24	2,145.00	\$25,978.24
	2012 Minor Quakes				3	137,882.64	12,409.44	\$150,292.08
13430	Greenville	5/23/2013	5.7	7 mi WNW of Greenville, CA	1	1,500.00	135.00	\$1,635.00
14460	Westwood	3/17/2014	4.4	6mi NNW of Westwood, CA	6	67,989.89	6,119.09	\$74,108.98
14470	La Habra	3/28/2014	5.1	1mi S of La Habra, CA	82	342,899.19	30,114.92	\$373,014.11
14480	American Canyon	8/24/2014	6.0	4mi NW of American Canyon, CA	167	1,059,536.57	95,358.29	\$1,154,894.86
	2014 Minor Quakes				1	1,500.00	135.00	\$1,635.00
<b>Total</b>					<b>440</b>	<b>\$5,587,019.50</b>	<b>\$480,925.51</b>	<b>\$6,067,945.01</b>

## Claims History Report Glossary

**Event Code:** A 5 digit code that the CEA assigns to all earthquakes expected to produce paid losses. This code is used to track statistics for a particular earthquake.

**Event Name:** This is generally the name given to the earthquake by the USGS (United States Geological Survey).

**Date of Event:** Date that the earthquake occurred.

**Magnitude:** Richter scale magnitude assigned by USGS.

**Location:** This is assigned by USGS and is usually a city close to the earthquake.

**# of Paid Claims:** A numeric count of the claims that received a payment for damage caused by a particular earthquake.

**Losses Paid:** Total dollar amount of all claims paid to the policyholders for a particular earthquake.

**LAE Paid:** "LAE" stands for Loss Adjustment Expense which is always 9% of paid losses. This is the amount paid to the Participating Insurers for handling the claim.

**Total Paid Losses and ALE:** The sum of Losses Paid and LAE Paid.

**Minor Quakes:** Losses paid for damage from minor earthquakes that were initially not expected to generate a claim and therefore were not issued a CEA event code.

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 1/23/2015 - Policies in Force on: 12/31/2014

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
<b>Homeowners</b>							
15% Total	575,729	66.6 %	269,245,918,056	79.5 %	460,896,716	76.8 %	801
10% Total	78,082	9.0 %	38,844,702,985	11.5 %	64,279,364	10.7 %	823
<b>Homeowners Total</b>	<b>653,811</b>	<b>75.6 %</b>	<b>308,090,621,041</b>	<b>91.0 %</b>	<b>525,176,080</b>	<b>87.5 %</b>	<b>803</b>
<b>Homeowners Choice</b>							
15% Total	15,065	1.7 %	8,938,110,576	2.6 %	15,675,697	2.6 %	1,041
10% Total	10,562	1.2 %	5,978,657,530	1.8 %	9,370,872	1.6 %	887
<b>Homeowners Choice Total</b>	<b>25,627</b>	<b>3.0 %</b>	<b>14,916,768,106</b>	<b>4.4 %</b>	<b>25,046,569</b>	<b>4.2 %</b>	<b>977</b>
<b>Manufactured Homes (Mobilehomes)-Homeowners</b>							
15% Total	22,210	2.6 %	2,457,605,744	0.7 %	2,567,402	0.4 %	116
10% Total	4,935	0.6 %	766,299,351	0.2 %	685,862	0.1 %	139
<b>Manufactured Homes (Mobilehomes)-Homeowners Total</b>	<b>27,145</b>	<b>3.1 %</b>	<b>3,223,905,095</b>	<b>1.0 %</b>	<b>3,253,265</b>	<b>0.5 %</b>	<b>120</b>
<b>Manufactured Homes (Mobilehomes)-Homeowners Choice</b>							
15% Total	265	0.0 %	41,163,061	0.0 %	45,181	0.0 %	170
10% Total	342	0.0 %	57,319,808	0.0 %	49,511	0.0 %	145
<b>Manufactured Homes (Mobilehomes)-Homeowners Choice Total</b>	<b>607</b>	<b>0.1 %</b>	<b>98,482,869</b>	<b>0.0 %</b>	<b>94,691</b>	<b>0.0 %</b>	<b>156</b>
<b>Condo Total</b>	<b>105,299</b>	<b>12.2 %</b>	<b>10,318,767,000</b>	<b>3.0 %</b>	<b>40,466,141</b>	<b>6.7 %</b>	<b>384</b>
<b>Renters Total</b>	<b>52,595</b>	<b>6.1 %</b>	<b>2,045,610,500</b>	<b>0.6 %</b>	<b>6,371,768</b>	<b>1.1 %</b>	<b>121</b>
<b>Grand Total</b>	<b>865,084</b>	<b>100.0 %</b>	<b>338,694,154,611</b>	<b>100.0 %</b>	<b>600,408,514</b>	<b>100.0 %</b>	<b>694</b>

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 1/23/2015 - Policies in Force on: 12/31/2014

HOMEOWNERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
<b>Deductible - 15%</b>							
CovA/C5k/D1.5k/BCU10k	575,729	88.1 %	260,958,261,056	84.7 %	430,230,601	81.9 %	747
BCU 20k	76,755	11.7 %	767,550,000	0.2 %	1,276,005	0.2 %	17
Coverage C 25k	34,225	5.2 %	684,500,000	0.2 %	4,836,905	0.9 %	141
Coverage C 50k	21,270	3.3 %	957,150,000	0.3 %	4,910,727	0.9 %	231
Coverage C 75k	9,086	1.4 %	636,020,000	0.2 %	2,648,652	0.5 %	292
Coverage C 100k	34,701	5.3 %	3,296,595,000	1.1 %	12,235,701	2.3 %	353
Coverage D 10k	38,453	5.9 %	326,850,500	0.1 %	962,774	0.2 %	25
Coverage D 15k	63,722	9.7 %	860,247,000	0.3 %	2,359,821	0.4 %	37
Coverage D 25k	32,287	4.9 %	758,744,500	0.2 %	1,435,531	0.3 %	44
<b>15% Total</b>	<b>575,729</b>	<b>88.1 %</b>	<b>269,245,918,056</b>	<b>87.4 %</b>	<b>460,896,716</b>	<b>87.8 %</b>	<b>801</b>
<b>Deductible - 10%</b>							
CovA/C5k/D1.5k/BCU10k	78,082	11.9 %	34,896,906,985	11.3 %	52,038,529	9.9 %	666
BCU 20k	24,315	3.7 %	243,150,000	0.1 %	327,805	0.1 %	13
Coverage C 25k	12,306	1.9 %	246,120,000	0.1 %	1,772,427	0.3 %	144
Coverage C 50k	8,657	1.3 %	389,565,000	0.1 %	1,703,861	0.3 %	197
Coverage C 75k	4,030	0.6 %	282,100,000	0.1 %	996,013	0.2 %	247
Coverage C 100k	20,700	3.2 %	1,966,500,000	0.6 %	6,119,368	1.2 %	296
Coverage D 10k	13,847	2.1 %	117,699,500	0.0 %	248,643	0.0 %	18
Coverage D 15k	22,721	3.5 %	306,733,500	0.1 %	593,574	0.1 %	26
Coverage D 25k	16,848	2.6 %	395,928,000	0.1 %	479,146	0.1 %	28
<b>10% Total</b>	<b>78,082</b>	<b>11.9 %</b>	<b>38,844,702,985</b>	<b>12.6 %</b>	<b>64,279,364</b>	<b>12.2 %</b>	<b>823</b>
<b>Homeowners Total</b>	<b>653,811</b>	<b>100.0 %</b>	<b>308,090,621,041</b>	<b>100.0 %</b>	<b>525,176,080</b>	<b>100.0 %</b>	<b>803</b>

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 1/23/2015 - Policies in Force on: 12/31/2014

HOMEOWNERS CHOICE	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
<b>Deductible - 15%</b>							
CovA/C5k/D1.5k/BCU10k <sup>1</sup>	15,065	58.8 %	8,380,987,576	56.2 %	13,266,472	53.0 %	881
BCU 20k	5,508	21.5 %	55,080,000	0.4 %	100,645	0.4 %	18
Coverage C 25k	2,016	7.9 %	40,320,000	0.3 %	434,834	1.7 %	216
Coverage C 50k	1,502	5.9 %	67,590,000	0.5 %	407,311	1.6 %	271
Coverage C 75k	515	2.0 %	36,050,000	0.2 %	156,104	0.6 %	303
Coverage C 100k	2,103	8.2 %	199,785,000	1.3 %	808,896	3.2 %	385
Coverage D 10k	1,772	6.9 %	15,062,000	0.1 %	73,422	0.3 %	41
Coverage D 15k	1,036	4.0 %	13,986,000	0.1 %	54,600	0.2 %	53
Coverage D 25k	5,500	21.5 %	129,250,000	0.9 %	373,413	1.5 %	68
<b>15% Total</b>	<b>15,065</b>	<b>58.8 %</b>	<b>8,938,110,576</b>	<b>59.9 %</b>	<b>15,675,697</b>	<b>62.6 %</b>	<b>1,041</b>
<b>Deductible - 10%</b>							
CovA/C5k/D1.5k/BCU10k <sup>1</sup>	10,562	41.2 %	5,385,296,030	36.1 %	7,342,725	29.3 %	695
BCU 20k	4,603	18.0 %	46,030,000	0.3 %	67,096	0.3 %	15
Coverage C 25k	2,007	7.8 %	40,140,000	0.3 %	351,844	1.4 %	175
Coverage C 50k	1,706	6.7 %	76,770,000	0.5 %	362,936	1.4 %	213
Coverage C 75k	566	2.2 %	39,620,000	0.3 %	134,221	0.5 %	237
Coverage C 100k	2,624	10.2 %	249,280,000	1.7 %	813,067	3.2 %	310
Coverage D 10k	1,777	6.9 %	15,104,500	0.1 %	48,412	0.2 %	27
Coverage D 15k	899	3.5 %	12,136,500	0.1 %	32,228	0.1 %	36
Coverage D 25k	4,863	19.0 %	114,280,500	0.8 %	218,342	0.9 %	45
<b>10% Total</b>	<b>10,562</b>	<b>41.2 %</b>	<b>5,978,657,530</b>	<b>40.1 %</b>	<b>9,370,872</b>	<b>37.4 %</b>	<b>887</b>
<b>Homeowners Choice Total</b>	<b>25,627</b>	<b>100.0 %</b>	<b>14,916,768,106</b>	<b>100.0 %</b>	<b>25,046,569</b>	<b>100.0 %</b>	<b>977</b>

<sup>1</sup>Includes policies with Coverage A, C and D, Coverage A and C, Coverage A and D, and Coverage A only

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 1/23/2015 - Policies in Force on: 12/31/2014

MANUFACTURED HOMES (MOBILEHOMES)- HOMEOWNERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
<b>Deductible - 15%</b>							
CovA/C5k/D1.5k/BCU10k	22,210	81.8 %	2,252,167,244	69.9 %	2,442,306	75.1 %	110
Coverage C 25k	1,704	6.3 %	34,080,000	1.1 %	38,274	1.2 %	22
Coverage C 50k	1,104	4.1 %	49,680,000	1.5 %	36,267	1.1 %	33
Coverage C 75k	363	1.3 %	25,410,000	0.8 %	13,804	0.4 %	38
Coverage C 100k	503	1.9 %	47,785,000	1.5 %	20,904	0.6 %	42
Coverage D 10k	1,552	5.7 %	13,192,000	0.4 %	5,703	0.2 %	4
Coverage D 15k	1,286	4.7 %	17,361,000	0.5 %	5,903	0.2 %	5
Coverage D 25k	763	2.8 %	17,930,500	0.6 %	4,241	0.1 %	6
<b>15% Total</b>	<b>22,210</b>	<b>81.8 %</b>	<b>2,457,605,744</b>	<b>76.2 %</b>	<b>2,567,402</b>	<b>78.9 %</b>	<b>116</b>
<b>Deductible - 10%</b>							
CovA/C5k/D1.5k/BCU10k	4,935	18.2 %	544,509,351	16.9 %	589,850	18.1 %	120
Coverage C 25k	1,599	5.9 %	31,980,000	1.0 %	27,044	0.8 %	17
Coverage C 50k	1,159	4.3 %	52,155,000	1.6 %	25,509	0.8 %	22
Coverage C 75k	390	1.4 %	27,300,000	0.8 %	12,232	0.4 %	31
Coverage C 100k	581	2.1 %	55,195,000	1.7 %	19,022	0.6 %	33
Coverage D 10k	1,365	5.0 %	11,602,500	0.4 %	3,431	0.1 %	3
Coverage D 15k	1,249	4.6 %	16,861,500	0.5 %	4,161	0.1 %	3
Coverage D 25k	1,136	4.2 %	26,696,000	0.8 %	4,613	0.1 %	4
<b>10% Total</b>	<b>4,935</b>	<b>18.2 %</b>	<b>766,299,351</b>	<b>23.8 %</b>	<b>685,862</b>	<b>21.1 %</b>	<b>139</b>
<b>Manufactured Homes (Mobilehomes)-Homeowners Total</b>	<b>27,145</b>	<b>100.0 %</b>	<b>3,223,905,095</b>	<b>100.0 %</b>	<b>3,253,265</b>	<b>100.0 %</b>	<b>120</b>

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 1/23/2015 - Policies in Force on: 12/31/2014

MANUFACTURED HOMES (MOBILEHOMES)- HOMEOWNERS CHOICE	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
<b>Deductible - 15%</b>							
CovA/C5k/D1.5k/BCU10k <sup>1</sup>	265	43.7 %	31,420,561	31.9 %	36,728	38.8 %	139
Coverage C 25k	66	10.9 %	1,320,000	1.3 %	2,320	2.4 %	35
Coverage C 50k	52	8.6 %	2,340,000	2.4 %	2,697	2.8 %	52
Coverage C 75k	19	3.1 %	1,330,000	1.4 %	966	1.0 %	51
Coverage C 100k	17	2.8 %	1,615,000	1.6 %	657	0.7 %	39
Coverage D 10k	38	6.3 %	323,000	0.3 %	314	0.3 %	8
Coverage D 15k	17	2.8 %	229,500	0.2 %	165	0.2 %	10
Coverage D 25k	110	18.1 %	2,585,000	2.6 %	1,333	1.4 %	12
<b>15% Total</b>	<b>265</b>	<b>43.7 %</b>	<b>41,163,061</b>	<b>41.8 %</b>	<b>45,181</b>	<b>47.7 %</b>	<b>170</b>
<b>Deductible - 10%</b>							
CovA/C5k/D1.5k/BCU10k <sup>1</sup>	342	56.3 %	40,602,808	41.2 %	40,119	42.4 %	117
Coverage C 25k	129	21.3 %	2,580,000	2.6 %	3,261	3.4 %	25
Coverage C 50k	84	13.8 %	3,780,000	3.8 %	2,263	2.4 %	27
Coverage C 75k	23	3.8 %	1,610,000	1.6 %	625	0.7 %	27
Coverage C 100k	37	6.1 %	3,515,000	3.6 %	1,200	1.3 %	32
Coverage D 10k	69	11.4 %	586,500	0.6 %	509	0.5 %	7
Coverage D 15k	36	5.9 %	486,000	0.5 %	237	0.3 %	7
Coverage D 25k	177	29.2 %	4,159,500	4.2 %	1,296	1.4 %	7
<b>10% Total</b>	<b>342</b>	<b>56.3 %</b>	<b>57,319,808</b>	<b>58.2 %</b>	<b>49,511</b>	<b>52.3 %</b>	<b>145</b>
<b>Manufactured Homes (Mobilehomes)-Homeowners Choice Total</b>	<b>607</b>	<b>100.0 %</b>	<b>98,482,869</b>	<b>100.0 %</b>	<b>94,691</b>	<b>100.0 %</b>	<b>156</b>

<sup>1</sup>Includes policies with Coverage A, C and D, Coverage A and C, Coverage A and D, and Coverage A only

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 1/23/2015 - Policies in Force on: 12/31/2014

CONDO	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage A/BCU 10k	79,213	75.2 %	2,772,000,000	26.9 %	8,343,418	20.6 %	105
Coverage C 5k/D 1.5k	32,859	31.2 %	213,583,500	2.1 %	2,337,436	5.8 %	71
Coverage C 5k <sup>1</sup>	11,359	10.8 %	56,700,000	0.5 %	700,257	1.7 %	62
Coverage C 25k	16,095	15.3 %	402,375,000	3.9 %	1,819,504	4.5 %	113
Coverage C 50k	12,841	12.2 %	642,050,000	6.2 %	1,596,504	3.9 %	124
Coverage C 75k	5,591	5.3 %	419,325,000	4.1 %	745,614	1.8 %	133
Coverage C 100k	12,424	11.8 %	1,242,400,000	12.0 %	1,714,430	4.2 %	138
Coverage D 1.5k <sup>2</sup>	7,258	6.9 %	10,858,500	0.1 %	93,993	0.2 %	13
Coverage D 10k	14,092	13.4 %	140,920,000	1.4 %	359,537	0.9 %	26
Coverage D 15k	21,957	20.9 %	329,355,000	3.2 %	598,657	1.5 %	27
Coverage D 25k	15,003	14.2 %	375,075,000	3.6 %	415,005	1.0 %	28
Coverage E 25k	3,424	3.3 %	84,850,000	0.8 %	751,520	1.9 %	219
Coverage E 50k	58,868	55.9 %	2,943,400,000	28.5 %	17,482,373	43.2 %	297
Coverage E 75k	9,145	8.7 %	685,875,000	6.6 %	3,507,892	8.7 %	384
<b>Condo Total</b>	<b>105,299</b>	<b>100.0 %</b>	<b>10,318,767,000</b>	<b>100.0 %</b>	<b>40,466,141</b>	<b>100.0 %</b>	<b>384</b>

<sup>1</sup>Policies that have a Coverage C limit of 5k and a Coverage D limit >1.5k

<sup>2</sup>Policies that have a Coverage D limit of 1.5k and a Coverage C limit >5k

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 1/23/2015 - Policies in Force on: 12/31/2014

RENTERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage C 5k/D 1.5k	19,871	37.8 %	129,161,500	6.3 %	1,443,768	22.7 %	73
Coverage C 5k <sup>1</sup>	4,023	7.6 %	20,115,000	1.0 %	278,320	4.4 %	69
Coverage C 25k	13,458	25.6 %	336,450,000	16.4 %	1,662,068	26.1 %	124
Coverage C 50k	7,834	14.9 %	391,700,000	19.1 %	1,059,982	16.6 %	135
Coverage C 75k	2,346	4.5 %	175,950,000	8.6 %	338,762	5.3 %	144
Coverage C 100k	5,063	9.6 %	506,300,000	24.8 %	718,014	11.3 %	142
Coverage D 1.5k <sup>2</sup>	5,306	10.1 %	7,959,000	0.4 %	72,198	1.1 %	14
Coverage D 10k	8,529	16.2 %	85,290,000	4.2 %	239,389	3.8 %	28
Coverage D 15k	7,954	15.1 %	119,310,000	5.8 %	233,965	3.7 %	29
Coverage D 25k	10,935	20.8 %	273,375,000	13.4 %	325,302	5.1 %	30
<b>Renters Total</b>	<b>52,595</b>	<b>100.0 %</b>	<b>2,045,610,500</b>	<b>100.0 %</b>	<b>6,371,768</b>	<b>100.0 %</b>	<b>121</b>

<sup>1</sup>Policies that have a Coverage C limit of 5k and a Coverage D limit >1.5k

<sup>2</sup>Policies that have a Coverage D limit of 1.5k and a Coverage C limit >5k