



Date of Notice: Monday, May 18, 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, May 28, 2015

TIME: 9:00 a.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

This CEA Governing Board meeting will be broadcast live on the Internet. Please wait until the official start time of the meeting before clicking on either icon:



[Audio](#)



[Video \(with audio\)](#)

If you are unable to log into the meeting please call the CEA directly at (916) 661-5001 for further assistance.

2. Consideration and approval of the minutes of the February 19, 2015, and April 8, 2015, CEA Governing Board meetings.
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. Mr. Glenn Pomeroy, assisted by CEA executive staff, will ask the Governing Board to adopt a resolution of sponsorship and support of a bill that has been introduced in the California State Senate (SB 602 (Monning)). The bill would enable the CEA to establish itself as a "statewide assessment district" to facilitate and fund assessment-based loan financing for seismic retrofits.
5. Chief Financial Officer Tim Richison will present the CEA financial report.
6. CEA Advisory Panel Member Russina Sgoureira will provide a summary of the proceedings of the April 23, 2015, Panel meeting.
7. Mr. Richison will ask the Board to approve a revised version of the Contingent Liability Assessment Layer calculations; an earlier version was approved by the Board at its February 19, 2015, meeting.
8. Insurance Program Manager Trudy Moore will present for Board consideration and approval materials in support of the application of Progressive Insurance to become a participating insurer of the CEA.
9. Chief Communications Officer Chris Nance will update the Board on the value of reimbursement proposed to CEA participating insurers for their distribution of the mandatory marketing document, both currently and in the future.
10. Mr. Nance will present, and seek Board approval of, the 2016 CEA advertising budget.
11. Chief Financial Officer Tim Richison will seek Governing Board approval for renewing the licensing agreement with EQECAT, Inc., for in-house use by the CEA of EQECAT's earthquake-loss-modeling software
12. 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.
13. Ms. Maffei will update the Board on the California Residential Mitigation Program incentive program, operated by a joint powers authority whose members are the California Governor's Office of Emergency Services and the CEA.
14. Ms. Maffei will update the Board on the Napa Earthquake Research Program.
15. Director of Research and Special Projects Bruce Patton will seek Governing Board approval and ratification of a consulting-services contract with the California Geological Survey.
16. Chief Information Officer Todd Coombes will give a progress report to the Board on the 2015 CEA IT Initiative and Project Portfolio.
17. Mr. Coombes will update the Board on the progress of the concept of centralizing CEA insurance-policy processing and will request approval of a contract and contract-supported expenditure for HP *ExStream* software.

18. Mr. Pomeroy will update the Board on the development of organizational and staff performance metrics for the CEA.
19. Mr. Pomeroy will provide an update to the Board on the CEA's Workforce Planning Project.
20. 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.
21. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
22. Adjournment.

For further information about this notice or its contents:

General Information:

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(916) 661-5521 (Direct)
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<p>To view this notice on the CEA Web site or to learn more about the CEA, please visit www.EarthquakeAuthority.com</p>
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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 Erin Waters by telephone, toll free, at (877) 797-4300 or by email at erin_waters@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

<p>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 erin_waters@calquake.com.</p>
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Draft Meeting Minutes are not available.

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

Governing Board Memorandum

May 28, 2015

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

Recommended Action: No action required – information only

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.

Governing Board Memorandum

May 28, 2015

Agenda Item 4: Support of Senate Bill 602

Recommended Action: Governing Board resolution of support for SB 602

Background and Analysis:

The California Residential Mitigation Program (CRMP) is a joint powers authority formed by the California Earthquake Authority (CEA) and the Governor's Office of Emergency Services (CalOES). The CRMP has developed the Earthquake Brace + Bolt (EBB) program to help homeowners lessen the potential for damage to their homes during an earthquake. The EBB program offers homeowners up to \$3,000 to cover home-retrofitting costs.

In addition to its participation in the CRMP, the CEA has been working with Senator Bill Monning's office on a legislative concept that would authorize the CEA to loan money to property owners to help pay for residential seismic-mitigation projects.

The concept would establish the "Property Secured Mitigation Program" (PSMP), to permit a new, voluntary financing tool for mitigation and seismic-retrofit improvements to existing homes, thereby furthering a core CEA mission of increasing earthquake preparedness and residential mitigation.

If approved by the Legislature, the PSMP would be part of an "end-to-end mitigation" solution for California homeowners who wish to strengthen their homes to better withstand earthquakes. The PSMP would provide homeowners with various services, including tailored guidance and recommendations for seismic mitigation and accessible financing for the cost of improvements. Approved mitigation projects would benefit homeowners—enhancing life safety and protecting property—and protect and even improve the value of primary mortgage lenders' collateral.

The total project costs for most California houses that need mitigation is relatively modest, compared to the overall house value: from \$3,000 to \$15,000 for average houses. The PSMP implemented by the CEA would allow homeowners to pay these costs in installments over time, with the payments amortizing the cost of mitigation work and covering expected financing costs (including a cushion to protect against interest-rate changes).

PSMP financing for mitigation work would have the following features:

- Completely voluntary. It would not mandate that homeowners mitigate their houses, and mortgage lenders could still mandate mitigation when underwriting and originating mortgages, as they see fit.
- No down payment.
- 100% financing for approved mitigation project costs.

- A lien for the cost of the improvements would be recorded on the property, and lien repayment would occur through annual property tax bills.
- The lien so created would stay with the property upon sale.

In recent years, the Legislature has approved several measures providing for the free and willing consent of affected property owners to use *voluntary* contractual assessments to finance:

- Public improvements to developed parcels (SB 837 [McQuorquodale], Chapter 1388, Statutes of 1987).
- Renewable energy sources or energy-efficiency improvements that are permanently fixed to real property (AB 811 [Levine], Chapter 159, Statutes of 2008).
- Water-efficiency improvements that are permanently fixed to real property (AB 474 [Blumenfield], Chapter 444, Statutes of 2009).
- Electric-vehicle-charging infrastructure (SB 1340 [Kehoe], Chapter 649, Statutes of 2010).
- Seismic-strengthening improvements to private property that can be financed with voluntary contractual assessments. (AB 184 [Swanson], Chapter 28, Statutes of 2011).

Senate Bill 602

Senator Bill Monning introduced Senate Bill 602 on February 27, 2015. If it becomes law, the bill would add the CEA to the list of public entities authorized to use property assessment districts, impose liens, and issue bonds—in effect, it would create a “statewide earthquake mitigation assessment district,” to fund voluntary residential seismic strengthening improvements.

Recommendation: The CEA staff recommends that the Governing Board:

1. Adopt the resolution in support of Senate Bill 602 that has been provided for this meeting; and
2. Authorize Mr. Pomeroy, assisted by CEA staff, to publicize the CEA’s support and advocate for SB 602.



**The Governing Board of the California Earthquake Authority
Acting on May 28, 2015**

**Resolution of unanimous support of
Senate Bill 602 (Monning)**

On motion duly made and seconded, and by unanimous vote, the Governing Board of the California Earthquake Authority has duly adopted the following motion at its regular meeting of May 28, 2015:

1. The Governing Board of the California Earthquake Authority supports Senate Bill 602 (Monning). This measure will enable the CEA to establish itself as a statewide assessment district for the purpose of facilitating and funding assessment-based financing for seismic retrofits.
2. The Governing Board of the California Earthquake Authority authorizes CEA staff to continue working with Senator Monning and his staff, and with others, to pass this state legislation to support this objective.

A record of this motion and related vote shall appear in the official minutes of the Governing Board meeting noted above.

Members of the California Earthquake Authority Governing Board

Voting

Governor Jerry Brown
State Treasurer John Chiang
Insurance Commissioner Dave Jones

Non-voting

Chair of the Senate Rules Committee Kevin de León
Speaker of the Assembly Toni G. Atkins



SB-602 Seismic safety: California Earthquake Authority. (2015-2016)

CALIFORNIA LEGISLATURE— 2015–2016 REGULAR SESSION

SENATE BILL

No. 602

Introduced by Senator Monning

February 27, 2015

An act to amend Section 10089.38 of the Insurance Code, and to amend Sections 5899, 8503, 10003, 10100.2, and 10104 of the Streets and Highways Code, relating to seismic safety, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 602, as introduced, Monning. Seismic safety: California Earthquake Authority.

Existing law establishes the California Earthquake Authority, which is authorized to transact insurance in the state as necessary to sell policies of basic residential earthquake insurance, as provided. Existing law provides that a public purpose will be served by a voluntary contractual assessment program that provides the legislative body of a public agency with the authority to finance the installation of seismic strengthening improvements that are permanently fixed to residential, commercial, industrial, agricultural, or other real property. For purposes of financing the installation of seismic strengthening improvements, "public agency" means a city, county, or city and county.

This bill would include the California Earthquake Authority as part of the definition of "public agency" for this purpose.

The Improvement Bond Act of 1915, provides authority for the legislative body of any city to determine that bonds may be issued to pay for specified works of improvement. The Municipal Improvement Act of 1913 authorizes the legislative body of a municipality to pay or make funds available to enable the owners of lots or parcels of real property to pay for work deemed necessary to bring real property or buildings into compliance with seismic safety standards or regulations, as provided.

This bill would include the California Earthquake Authority as part of the definition of "city" or "municipality" for purposes of these acts.

Existing law authorizes the Earthquake Loss Mitigation Fund, a continuously appropriated fund, to be applied to supply grants and loans or loan guarantees to dwelling owners who wish to retrofit their homes to protect against earthquake damage.

This bill would also authorize the money in the fund to be used to fund seismic strengthening improvements permanently fixed to residential, commercial, industrial, agricultural, or other real property, and to acquire debt

obligations issued to fund these improvements, thereby making an appropriation.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 10089.38 of the Insurance Code is amended to read:

10089.38. (a) Upon the development and implementation of an economical system satisfactory to the board and the commissioner to prevent misapplication of mitigation funds, the Earthquake Loss Mitigation Fund may be applied to supply grants and loans or loan guarantees to dwelling owners who wish to retrofit their homes to protect against earthquake damage.

(b) Money in the Earthquake Loss Mitigation Fund may also be used for either of the following purposes:

(1) To fund seismic strengthening improvements authorized pursuant to Section 5899 of the Streets and Highways Code.

(2) To acquire debt obligations issued to fund improvements described in paragraph (1).

SEC. 2. Section 5899 of the Streets and Highways Code is amended to read:

5899. (a) The Legislature finds and declares all of the following:

(1) It is the intent of the Legislature to address seismic safety needs throughout this state by permitting voluntary individual efforts to improve the seismic safety of homes and buildings. The Legislature further intends that this chapter should be used to finance the installation of seismic strengthening improvements that are permanently fixed to residential, commercial, industrial, agricultural, or other real property, including, but not limited to, the seismic strengthening of cripple walls and sill plate anchorage of light, wood-framed buildings.

(2) The upfront cost of making residential, commercial, industrial, agricultural, or other real property more seismically safe prevents many property owners from making those improvements. To make those improvements more affordable and to promote the installation of those strengthening improvements, it is necessary to authorize an alternative procedure for authorizing assessments to finance the cost of seismic strengthening improvements.

(3) A public purpose will be served by a voluntary contractual assessment program that provides the legislative body of any public agency with the authority to finance the installation of seismic strengthening improvements that are permanently fixed to residential, commercial, industrial, agricultural, or other real property.

(b) For purposes of this section, the following terms shall have the following meanings:

(1) For the purpose of financing the installation of seismic strengthening improvements, "public agency" means a city, county, or city and county, *or the California Earthquake Authority*. The definition of "city" in Section 5005 shall not apply to this paragraph.

(2) "Seismic strengthening improvements" means permanent seismic safety improvements fixed to residential, commercial, industrial, agricultural, or other real property.

(c) The legislative body of ~~any~~ *a* public agency may designate an area, in the manner provided pursuant to Section 5898.20, within which authorized public agency officials and property owners may enter into voluntary contractual assessments to finance the installation of seismic strengthening improvements that are permanently fixed to real property pursuant to this chapter.

(d) For purposes of establishing a voluntary contractual assessment program relating to seismic strengthening improvements, the legislative body shall make the determinations required pursuant to Section 5898.20 by adopting a resolution indicating its intention to do so. The resolution of intention shall identify the kinds of seismic strengthening improvements that may be financed and shall include all of the information that is required pursuant to subdivision (b) of Section 5898.20, including, but not limited to, directing an appropriate public agency official to prepare a report pursuant to Section 5898.22.

(e) For purposes of the report required pursuant to Section 5898.22, relating to a voluntary contractual assessment program for seismic strengthening improvements, the designated public agency official shall satisfy the requirements of paragraph (1) of subdivision (c) of Section 5898.22 by identifying the types of seismic strengthening improvements that may be financed through the use of contractual assessments.

(f) Notwithstanding any other provision of this chapter, upon the written consent of an authorized public agency official, the proposed arrangements for financing the program pertaining to the installation of seismic strengthening improvements that are permanently fixed to real property may authorize the property owner to purchase directly the related equipment and materials for the installation of seismic strengthening improvements and to contract directly for the installation of seismic strengthening improvements that are permanently fixed to the property owner's residential, commercial, industrial, agricultural, or other real property.

(g) Subdivisions (c) and (d) do not apply to the California Earthquake Authority.

SEC. 3. Section 8503 of the Streets and Highways Code is amended to read:

8503. "City" includes counties, cities and counties and public corporations, districts and agencies, *and the California Earthquake Authority.*

SEC. 4. Section 10003 of the Streets and Highways Code is amended to read:

10003. "Municipality" and "city" include every city, city and county, or county, or other entity, public corporation, or agency authorized to operate under this division, including any joint powers entity created pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code and any special district organized for the purpose of aiding in the development or improvement of navigation or commerce to, or within, the district, *and the California Earthquake Authority.*

SEC. 5. Section 10100.2 of the Streets and Highways Code is amended to read:

10100.2. (a) (1) ~~Whenever~~ *When* the public interest or convenience requires, the legislative body may use the powers of this division to pay, or make funds available to enable the owners of lots or parcels of real property within the district to pay, for either of the following:

(A) *(i)* Work deemed necessary to bring real property or buildings, including privately owned real property or buildings, into compliance with seismic safety standards or regulations. The legislative body shall declare that public loans or funds provided to owners of private buildings for seismic strengthening of unreinforced buildings or other buildings, or real property, pursuant to this section constitute a public purpose resulting in a public benefit. Only work certified as necessary to comply with seismic safety standards or regulations by local building officials may be financed. No project involving the dismantling of an existing building and its replacement by a new building or the construction of a new or substantially new building may be financed pursuant to this section, except as otherwise provided in subparagraph (B). Work on qualified historical buildings or structures shall be done in accordance with the State Historical Building Code (Part 2.7 (commencing with Section 18950) of Division 13 of the Health and Safety Code). Any financing for seismic strengthening of a residential structure containing units rented by households specified in Section 50079.5 of the Health and Safety Code before strengthening shall be subject to a regulatory agreement that will ensure that the number of those units in the structure will not be reduced and will remain available at affordable rents pursuant to Section 50053 of the Health and Safety Code as long as any assessments levied pursuant to this section on the parcel on which the structure is located remain unpaid.

~~No~~

(ii) A lot, parcel, or building shall *not* be included in the district without the owner's consent.

(B) Within ~~any~~ *an* area that has been designated by the Governor as a disaster area or for which the Governor has proclaimed the existence of a state of emergency because of earthquake damage, work deemed necessary to repair any damage to real property directly or indirectly caused by the occurrence of an earthquake cited in the Governor's designation or proclamation, or by aftershocks associated with that earthquake, including work to reconstruct, repair, shore up, or replace any real property or building damaged or destroyed by the earthquake or by its aftershocks. Work may be financed pursuant to this subparagraph only on real property or

buildings identified in a resolution of intention to establish a district adopted within seven years of the date that the Governor designates the area as a disaster area or proclaims a state of emergency in the area.

(2) ~~Any~~^A district created to finance seismic safety work on privately owned buildings, including repair, reconstruction, or replacement of privately owned buildings pursuant to this section, shall consist only of lots or parcels on which the legislative body finds that the buildings to be worked on, repaired, reconstructed, or replaced pursuant to this section, are located or were located before being damaged or destroyed by the earthquake that is the subject of the Governor's designation or proclamation pursuant to subparagraph (B) of paragraph (1), or by the aftershocks of that earthquake. *Notwithstanding Division 7 (commencing with Section 5000) or this division, this paragraph shall not apply to any district created by the California Earthquake Authority.*

(3) The Legislature hereby declares that the use of public funds pursuant to this section for seismic strengthening, repair, or reconstruction of privately owned real property or buildings constitutes a public purpose resulting in a public benefit. The use of funds pursuant to this section shall not be construed to be gifts of public funds in violation of Section 6 of Article XVI of the California Constitution.

(4) A loan or expenditure of funds made by a district pursuant to this section and secured by a tax assessment or a lien, or both that assessment and lien, on private property shall not, when combined with existing liens on the property, exceed 80 percent of the current appraised value of the property, as determined by an independent, certified appraiser, unless existing lienholders consent in writing to a higher loan-to-value ratio. Notice of the creation of a district or the authorization for the loan or expenditure of funds for the purposes set forth in this section shall be given to lienholders of record on the property included in the district at least 30 days prior to any vote of the governing body authorizing the creation of the district or the loan or expenditure of funds that could create a lien on the property.

(b) A district created to finance seismic safety or repair work pursuant to this section may include areas of territory that are not contiguous.

(c) At any time after the passage of the resolution provided for in subdivision (a) of Section 10312, the legislative body may make changes in or modify the improvements or reduce the assessment with respect to a particular lot or parcel within an assessment district created for the purposes of this section with the written consent of the owner of that lot or parcel.

(d) Any changes made within an assessment district created for the purposes of this section shall be made after notice and hearing, as provided in this division, except that changes may be made under any of the following circumstances:

(1) At the hearing on the report, changes that do any of the following:

(A) Eliminate a portion of the assessment district without increasing the amount of any assessment or substantially affecting the distribution of benefits from the improvements.

(B) Exclude territory that will not be benefited by the remaining improvements without increasing the amount of any assessment.

(C) Modify the improvements or the assessment with respect to a particular lot or parcel within the assessment district with the written consent of the owner and without increasing the assessments on any other real property.

(2) At any time after the improvements are ordered and during the pendency of the proceedings to establish the assessment district.

(3) At any time after the adoption of the resolution provided for in subdivision (a) of Section 10312, to modify the improvements or reduce the assessment with respect to a particular lot or parcel within the assessment district with the written consent of the owner.

(e) An action to determine the validity of any assessments, bonds, bond anticipation notes, contracts, or improvements for the purposes of this section may be brought by the legislative body, or by any person designated by the legislative body, pursuant to Chapter 9 (commencing with Section 860) of Title 10 of the Code of Civil Procedure. For this purpose, an improvement shall be deemed to be in existence upon its authorization and an assessment upon its confirmation.

(f) It is the intent of the Legislature that the powers conferred by this section shall be in addition and supplemental to, and not exclusive of, the powers conferred by any other law.

SEC. 6. Section 10104 of the Streets and Highways Code is amended to read:

10104. (a) When ~~any~~ *a* proceeding is initiated under this division by a legislative body other than that of a city or county, and before the resolution of intention is adopted, the proposed resolution, together with a plat or map which shall indicate by a boundary line the extent of territory included in the proposed district, shall be submitted for approval of the legislative body of the city, where the land to be assessed lies within the corporate limits of any city, or of the county, where the land to be assessed lies within an unincorporated territory. When ~~such~~ *the* approval has been secured, the resolution of intention may be adopted and the legislative body initiating the proceeding may thereafter take each and every step required for or suitable for the consummation of the work and the levying, collecting and enforcement of the assessments to cover the expenses thereof and the issuance and enforcement of bonds to represent unpaid assessments.

(b) Notwithstanding Division 7 (commencing with Section 5000) or this division, this section shall not apply to any district created by the California Earthquake Authority.



FINANCIAL REPORT

Thursday, May 28, 2015

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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 December 31, 2014

Assets

Cash and investments:

Cash and cash equivalents	\$ 129,986,243
Restricted cash and equivalents	32,716,271
Restricted investments	341,466,606
Investments	5,069,260,472

Total cash and investments	5,573,429,592
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Premiums receivable, net of allowance for doubtful accounts of \$6,881,135	44,659,498
Capital contributions receivable	-
Risk capital surcharge receivable	-
Interest receivable	15,075,494
Securities receivable	-
Restricted securities receivable	-
Prepaid reinsurance premium	8,107,146
Transformer reinsurance premium deposit	9,631,564
Prepaid transformer maintenance premium	3,292,679
Equipment, net	617,882
Other assets	311,719
Total assets	\$ 5,655,125,574

Liabilities and Net Position

Unearned premiums	\$ 310,845,890
Accounts payable and accrued expenses	6,392,421
Payable to California Residential Mitigation Program	3,000,000
Accrued reinsurance premium expense	4,371,668
Loss and loss adjustment expense reserves	1,333,654
Securities payable	-
Revenue bond payable	350,000,000
Revenue bond interest payable	1,311,521
Total liabilities	677,255,154

Net position:

Restricted, expendable	22,877,158
Unrestricted, participating insurer contributed capital	777,384,796
Unrestricted, State of California contributed capital	210,199,420
Unrestricted, all other remaining	3,967,409,046

Total net position	4,977,870,420
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Total liabilities and net position	\$ 5,655,125,574
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California Earthquake Authority
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2014

Underwriting income:	
Premiums written	\$ 607,293,252
Less premiums ceded - reinsurance	(194,095,181)
Less risk capital surcharge	<u>-</u>
Net premiums written	<u>413,198,071</u>
Change in unearned premiums	<u>(14,435,665)</u>
Net premiums earned	<u>398,762,406</u>
Expenses:	
Losses and loss adjustment expenses	3,036,027
Participating Insurer commissions	60,748,758
Participating Insurer operating costs	18,747,090
Reinsurance broker commissions	4,800,000
Pro forma premium taxes	14,271,392
Other underwriting expenses	<u>34,183,890</u>
Total expenses	<u>135,787,157</u>
Underwriting profit	262,975,249
Net investment income	23,752,481
Other income	410,808
Financing expenses, net	(11,505,082)
Earthquake Loss Mitigation Fund expenses	(3,840,370)
Participating Insurer Contributed Capital	-
State of California premium tax contribution	<u>14,271,392</u>
Increase in net position	286,064,478
Net position, beginning of year	<u>4,691,805,942</u>
Net position, end of year	<u><u>\$ 4,977,870,420</u></u>

California Earthquake Authority
Balance Sheet
as of March 31, 2015

Assets

Cash and investments:

Cash and cash equivalents	\$ 144,005,800
Restricted cash and equivalents	25,035,954
Restricted investments	350,015,003
Investments	5,135,729,674

Total cash and investments	5,654,786,431
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Premiums receivable, net of allowance for doubtful accounts of \$7,155,920	50,038,107
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Capital contributions receivable	-
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Risk capital surcharge receivable	-
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Interest receivable	15,306,074
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Securities receivable	-
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Restricted securities receivable	-
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Prepaid reinsurance premium	8,201,229
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Transformer reinsurance premium deposit	4,201,325
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Prepaid transformer maintenance premium	2,342,963
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Equipment, net	519,582
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Other assets	443,851
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Total assets	\$ 5,735,839,562
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Liabilities and Net Position

Unearned premiums	\$ 301,386,393
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Accounts payable and accrued expenses	4,205,801
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Payable to California Residential Mitigation Program	2,000,000
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Accrued reinsurance premium expense	2,463,227
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Loss and loss adjustment expense reserves	1,594,580
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Securities payable	-
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Revenue bond payable	350,000,000
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Revenue bond interest payable	2,146,125
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Total liabilities	663,796,126
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Net position:

Restricted, expendable	25,216,718
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Unrestricted, participating insurer contributed capital	777,384,796
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Unrestricted, State of California contributed capital	213,514,686
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Unrestricted, all other remaining	4,055,927,236
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Total net position	5,072,043,436
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Total liabilities and net position	\$ 5,735,839,562
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California Earthquake Authority
Statement of Revenues, Expenses and Changes in Net Position
Year-To-Date Ended March 31, 2015

Underwriting income:	
Premiums written	\$ 141,074,926
Less premiums ceded - reinsurance	(51,991,763)
Less risk capital surcharge	<u>-</u>
Net premiums written	<u>89,083,163</u>
Change in unearned premiums	<u>9,459,497</u>
Net premiums earned	<u>98,542,660</u>
Expenses:	
Losses and loss adjustment expenses	535,683
Participating Insurer commissions	14,112,221
Participating Insurer operating costs	4,356,446
Reinsurance broker commissions	600,000
Pro forma premium taxes	3,315,265
Other underwriting expenses	<u>5,254,733</u>
Total expenses	<u>28,174,348</u>
Underwriting profit	70,368,312
Net investment income	22,303,094
Other income	101,020
Financing expenses, net	(1,674,744)
Earthquake Loss Mitigation Fund expenses	(239,932)
Participating Insurer Contributed Capital	-
State of California premium tax contribution	<u>3,315,265</u>
Increase in net position	94,173,015
Net position, beginning of year	<u>4,977,870,421</u>
Net position, end of year	<u><u>\$ 5,072,043,436</u></u>

CALIFORNIA EARTHQUAKE AUTHORITY
Insurance Services
Budgeted and Actual Expenditures
2014 Budget Year
as of December 31, 2014

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f)	(g) (g=e/d)
	Approved 2014 Budget 1/1/2014	Adjustments	Augmentations	2014 Budget after Augmentations and Adjustments	Actual Expenditures	Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e)	Percentage used of Augmented & Adjusted Approved 2014 Budget
Salaries & Benefits	\$ 11,679,999	\$ -	\$ -	\$ 11,679,999	\$ 10,535,494	\$ 1,144,505	90.20%
Rent	753,615	-	-	753,615	752,233	1,382	99.82%
Travel	405,987	(3,000)	-	402,987	319,902	83,085	79.38%
Non-paid Consultant Travel	2,000	-	-	2,000	-	2,000	0.00%
Telecommunications	181,140	11,000	-	192,140	191,236	904	99.53%
Training	285,719	(11,000)	-	274,719	192,821	81,898	70.19%
Insurance	167,500	-	-	167,500	163,381	4,119	97.54%
Board/Panel Services	35,000	-	-	35,000	16,289	18,711	46.54%
Administration & Office (Software Maint & Support, Printing & Stationery, Postage)	1,268,015	(642,000)	-	626,015	323,155	302,860	51.62%
Other Administrative Services	34,885	3,000	-	37,885	37,814	71	99.81%
Furniture/Equipment	47,600	-	-	47,600	30,363	17,237	63.79%
EDP Hardware/Software	689,665	642,000	-	1,331,665	1,307,457	24,208	98.18%
Dept of Insurance Examination	50	-	-	50	216,157	(216,107)	>100.00%
Total Operating Expenses	\$ 15,551,175	\$ -	\$ -	\$ 15,551,175	\$ 14,086,302	\$ 1,464,873	90.58%
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	238,174	21,826	91.61%
Government Relations	190,000	-	-	190,000	126,000	64,000	66.32%
Human Resources	395,000	-	-	395,000	145,148	249,852	36.75%
Information Systems	145,000	-	-	145,000	70,552	74,448	48.66%
Internal Audit	50,000	-	-	50,000	8,000	42,000	16.00%
Investment Compliance	40,000	-	-	40,000	5,423	34,577	13.56%
Public Relations	100,000	-	-	100,000	57,714	42,286	57.71%
Other Consulting Services	190,000	-	-	190,000	56,525	133,475	29.75%
Total Consulting Services	\$ 1,605,000	\$ -	\$ -	\$ 1,605,000	\$ 717,536	\$ 887,464	44.71%

CALIFORNIA EARTHQUAKE AUTHORITY
Insurance Services
Budgeted and Actual Expenditures
2014 Budget Year
as of December 31, 2014

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	Approved 2014 Budget 1/1/2014	Adjustments	Augmentations	2014 Budget after Augmentations and Adjustments	Actual Expenditures	Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e)	Percentage used of Augmented & Adjusted Approved 2014 Budget
Contracted Services							
Agent Services	\$ 70,000	\$ -	\$ -	\$ 70,000	\$ 43,246	\$ 26,754	61.78%
Audit Services	109,000	-	-	109,000	111,350	(2,350)	>100.00%
IT Services ¹	2,591,005	-	273,466	2,864,471	2,164,832	699,639	75.58%
Legal Services - Claims Counsel	300,000	-	-	300,000	-	300,000	0.00%
Legal Services - Non-Claims	7,355,000	-	-	7,355,000	3,825,039	3,529,961	52.01%
Marketing Services	8,878,000	-	-	8,878,000	7,940,492	937,508	89.44%
Modeling Services	711,000	-	-	711,000	636,250	74,750	89.49%
Rating Agencies	197,350	-	-	197,350	197,300	50	99.97%
Staffing Services - Support and Admin	3,106,214	-	-	3,106,214	2,828,837	277,377	91.07%
Other Contracted Services	50,000	-	-	50,000	-	50,000	0.00%
Total Contracted Services	\$ 23,367,569	\$ -	\$ 273,466	\$ 23,641,035	\$ 17,747,346	\$ 5,893,689	75.07%
Research	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ 198,099	\$ 1,901	99.05%
Participating Insurer Commissions	56,742,287	-	-	56,742,287	60,748,758	(4,006,471)	>100.00%
Participating Insurer Operating Costs	17,533,367	-	-	17,533,367	18,747,090	(1,213,723)	>100.00%
Investment Expenses	2,422,156	-	-	2,422,156	2,237,639	184,517	92.38%
Financing Expenses ²	5,079,788	-	8,350,000	13,429,788	11,845,545	1,584,243	88.20%
Risk Transfer	222,221,550	-	-	222,221,550	198,895,181	23,326,369	89.50%
Total Expenditures	\$ 344,722,892	\$ -	\$ 8,623,466	\$ 353,346,358	\$ 325,223,496	\$ 28,122,862	92.04%

¹Augmentation due to board approved upgrade in CEA IT infrastructure

²Augmentation for 2006 bond interest expenses and 2014 bonds transaction expenses

CALIFORNIA EARTHQUAKE AUTHORITY
Mitigation
Budgeted Expenditures and Actual Expenditures
2014 Budget Year
as of December 31, 2014

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f)	(g) (g=e/d)
	Approved 2014 Budget 1/1/2014	Adjustments	Augmentations	2014 Budget after Augmentations and Adjustments	Actual Expenditures	Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e)	Percentage used of Augmented & Adjusted Approved 2014 Budget
Salaries & Benefits	\$ 647,379	\$ -	\$ -	\$ 647,379	\$ 383,588	\$ 263,791	59.25%
Rent	33,120	-	-	33,120	31,777	1,343	95.95%
Travel	50,000	-	-	50,000	28,787	21,213	57.57%
Non-paid Consultant Travel	5,000	-	-	5,000	-	5,000	0.00%
Telecommunications	10,800	-	-	10,800	6,544	4,256	60.59%
Training	22,880	(200)	-	22,680	17,670	5,010	77.91%
Administration & Office (Software Maint & Support, Printing & Stationery, Postage)	113,600	-	-	113,600	30,119	83,481	26.51%
Furniture/Equipment	1,000	-	-	1,000	389	611	38.90%
EDP Hardware/Software	-	200	-	200	139	61	0.00%
Total Operating Expenses	\$ 883,779	\$ -	\$ -	\$ 883,779	\$ 499,013	\$ 384,766	56.46%
Consulting Services							
Other Consulting Services	100,000	-	-	100,000	-	100,000	0.00%
Total Consulting Services	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000	0.00%
Contracted Services							
Legal Services - Non-Claims	50,000	-	-	50,000	-	50,000	0.00%
Mitigation Projects	850,000	-	-	850,000	250,000	600,000	29.41%
Staffing Services - Support and Admin	222,436	-	-	222,436	88,380	134,056	39.73%
Other Contracted Services	50,000	-	-	50,000	-	50,000	0.00%
Total Contracted Services	\$ 1,172,436	\$ -	\$ -	\$ 1,172,436	\$ 338,380	\$ 834,056	28.86%
Investment Expenses	16,800	-	-	16,800	20,638	(3,838)	>100.00%
Total Expenditures	\$ 2,173,015	\$ -	\$ -	\$ 2,173,015	\$ 858,031	\$ 1,314,984	39.49%

CALIFORNIA EARTHQUAKE AUTHORITY
Insurance Services
Budgeted and Actual Expenditures
2015 Budget Year
as of March 31, 2015

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f)	(g) (g=e/d)
	<u>Approved 2015 Budget 1/1/2015</u>	<u>Adjustments</u>	<u>Augmentations</u>	<u>2015 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e)</u>	<u>Percentage used of Augmented & Adjusted Approved 2015 Budget</u>
Human Resources:							
Compensation and Benefits	\$ 16,670,520	\$ -	\$ -	\$ 16,670,520	\$ 3,254,214	\$ 13,416,306	19.52%
Travel	472,338	-	-	472,338	49,108	423,230	10.40%
Other	1,094,827	-	-	1,094,827	82,066	1,012,761	7.50%
Board Meeting	33,000	-	-	33,000	2,342	30,658	7.10%
Administration & Office	1,198,429	-	-	1,198,429	90,733	1,107,696	7.57%
EDP Hardware	115,270	-	-	115,270	29,408	85,862	25.51%
EDP Software	1,204,490	-	-	1,204,490	447,579	756,911	37.16%
Information Technology	1,255,830	-	-	1,255,830	417,196	838,634	33.22%
Telecommunications	241,714	-	-	241,714	52,321	189,393	21.65%
Rent/Lease	876,749	-	-	876,749	199,864	676,885	22.80%
Compliance	10,000	-	-	10,000	-	10,000	0.00%
Government Affairs	298,000	-	-	298,000	-	298,000	0.00%
Insurance	189,138	-	-	189,138	983	188,155	0.52%
Internal Audit	50,000	-	-	50,000	-	50,000	0.00%
Intervener Fees	-	-	-	-	-	-	0.00%
Other	3,000	-	-	3,000	3,798	(798)	>100.00%
Regulatory Expenses	150,000	-	-	150,000	114,447	35,553	76.30%
Total Statutory Expenses	\$ 23,863,305	\$ -	\$ -	\$ 23,863,305	\$ 4,744,059	\$ 19,119,246	19.88%
Audit Services	109,000	-	-	109,000	30,100	78,900	27.61%
Capital Market	9,400,500	-	-	9,400,500	2,265,740	7,134,760	24.10%
Claims	10,000	-	-	10,000	22,686	(12,686)	>100.00%
Loans	-	-	-	-	-	-	0.00%
Grants	-	-	-	-	-	-	0.00%
Investment Services	3,174,856	-	-	3,174,856	581,335	2,593,521	18.31%
Legal Services	6,967,920	-	-	6,967,920	68,639	6,899,281	0.99%
Loss-Modeling	961,500	-	-	961,500	-	961,500	0.00%
Marketing Services ¹	11,179,355	-	290,400	11,469,755	48,442	11,421,313	0.42%
Producer Compensation	61,684,374	-	-	61,684,374	14,112,221	47,572,153	22.88%
Participating Insurer Operating Costs ²	19,060,471	-	181,650	19,242,121	4,356,446	14,885,675	22.64%
Seismic Related Research	100,000	-	-	100,000	-	100,000	0.00%
Engineering Related Research	250,000	-	-	250,000	-	250,000	0.00%
Risk Transfer	210,213,580	-	-	210,213,580	52,591,763	157,621,817	25.02%
Total Non-Statutory Expenses	\$ 323,111,556	\$ -	\$ 472,050	\$ 323,583,606	\$ 74,077,372	\$ 249,506,234	22.89%
Total Budget Expenditures	\$ 346,974,861	\$ -	\$ 472,050	\$ 347,446,911	\$ 78,821,431	\$ 268,625,480	22.69%

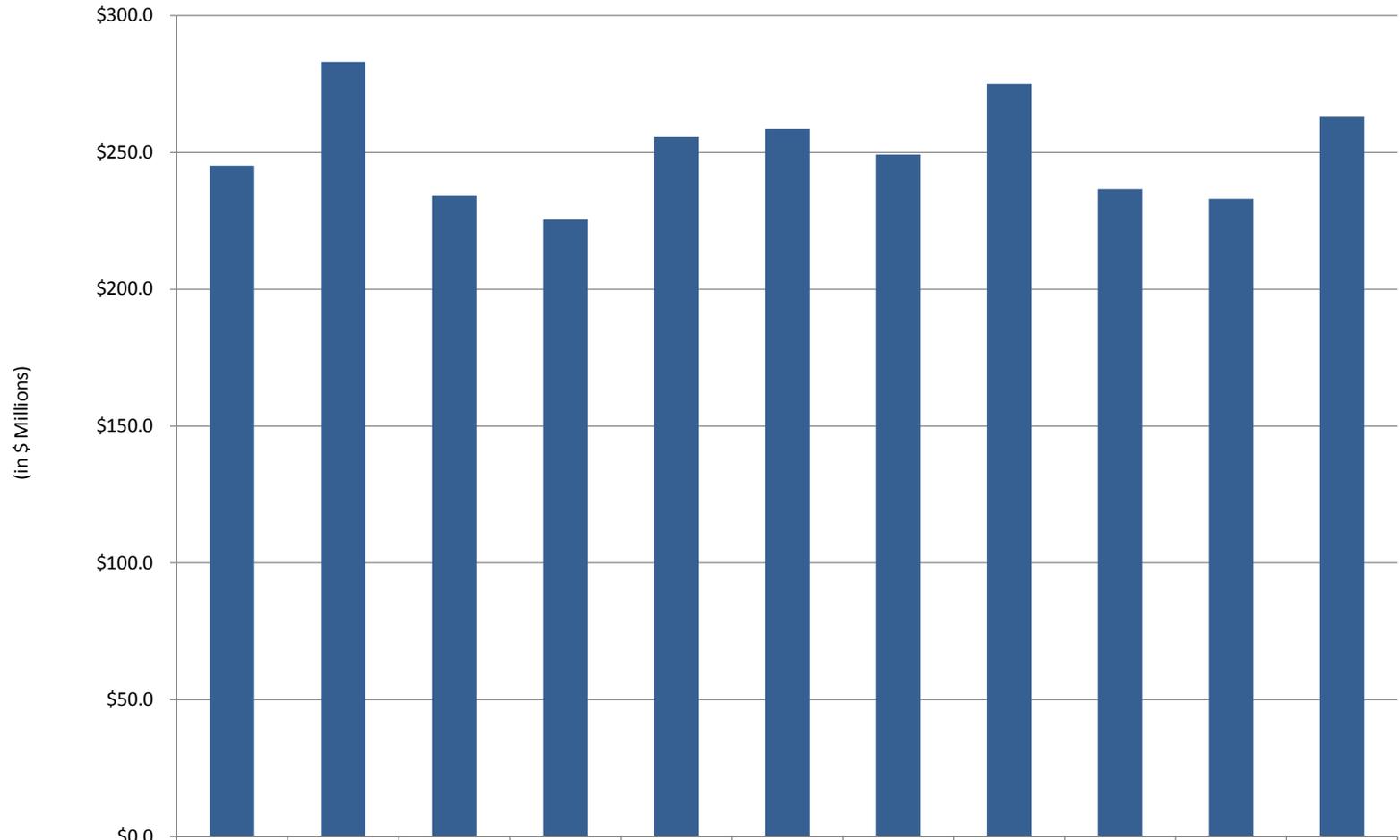
¹Augmentation to fund an additional marketing project in the 2015 IT project portfolio

²Augmentation to cover immediate research and creative costs to directly support marketing-document development

CALIFORNIA EARTHQUAKE AUTHORITY
Mitigation
Budgeted Expenditures and Actual Expenditures
2015 Budget Year
as of March 31, 2015

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	<u>Approved 2015 Budget 1/1/2015</u>	<u>Adjustments</u>	<u>Augmentations</u>	<u>2015 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Adjusted Actual Expenses (e)</u>	<u>Percentage used of Approved & Adjusted 2015 Budget</u>
Human Resources:							
Compensation and Benefits	\$ 1,219,169	\$ -	\$ -	\$ 1,219,169	\$ 196,333	\$ 1,022,836	16.10%
Travel	47,500	-	-	47,500	-	47,500	0.00%
Other	19,000	-	-	19,000	-	19,000	0.00%
Administration & Office	69,600	-	-	69,600	517	69,083	0.74%
Telecommunications	1,500	-	-	1,500	3,424	(1,924)	>100.00%
Rent/Lease	700	-	-	700	13,819	(13,119)	>100.00%
Total Operating Expenses	\$ 1,357,469	\$ -	\$ -	\$ 1,357,469	\$ 214,093	\$ 1,143,376	15.77%
Investment Services	28,400	-	-	28,400	3,868	24,532	13.62%
Legal Services	50,000	-	-	50,000	3,900	46,100	7.80%
Marketing	-	-	-	-	139	(139)	>100.00%
Seismic - Related	19,000	-	-	19,000	-	19,000	0.00%
Engineering - Related	1,019,000	-	-	1,019,000	24,541	994,459	2.41%
Total Other Expenses	\$ 1,116,400	\$ -	\$ -	\$ 1,116,400	\$ 32,448	\$ 1,083,952	2.91%
Total Expenditures	\$ 2,473,869	\$ -	\$ -	\$ 2,473,869	\$ 246,541	\$ 2,227,328	9.97%

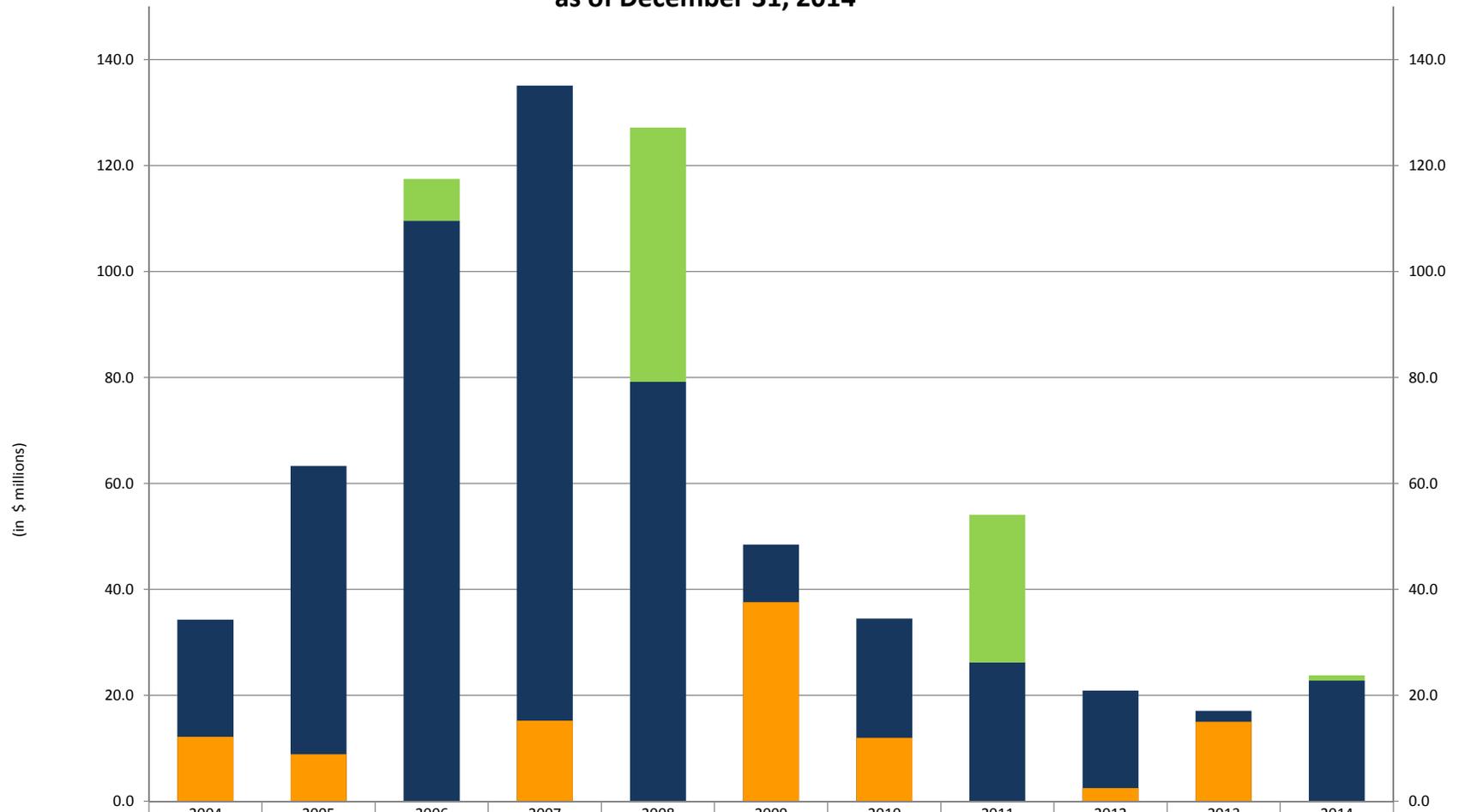
**California Earthquake Authority
Annual Capital Accumulated from Premium
as of December 31, 2014**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Capital Accumulated from Premium	\$245.2	\$283.1	\$234.1	\$225.5	\$255.7	\$258.6	\$249.3	\$275.0	\$236.7	\$233.1	\$263.0

Investments

California Earthquake Authority Annual Investment Income as of December 31, 2014

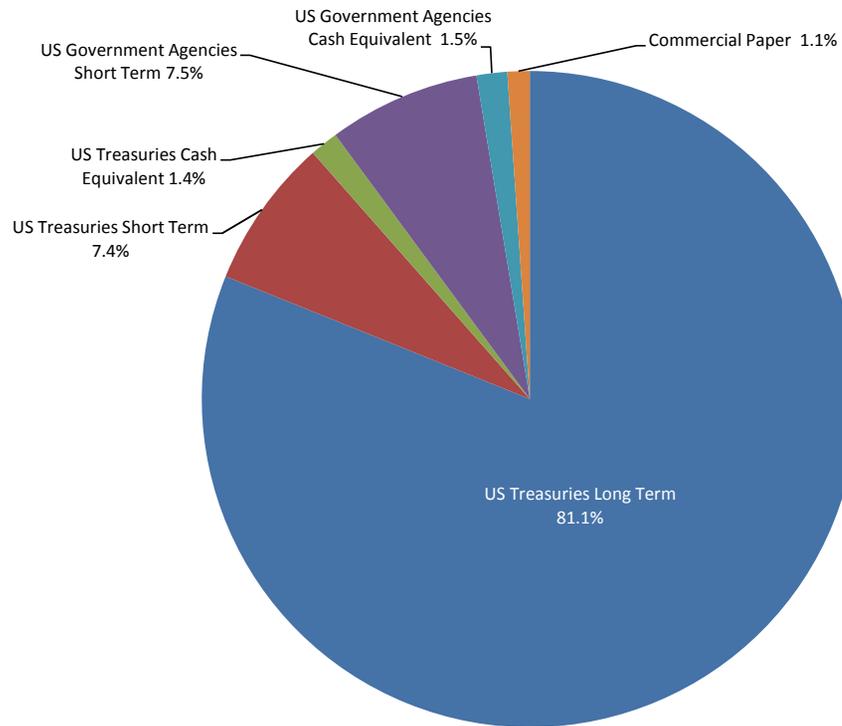


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Investment Income*	\$22.1	\$54.4	\$117.5	\$119.9	\$127.2	\$10.9	\$22.5	\$54.1	\$18.4	\$2.1	\$23.8
Change Unrealized Gain	0.0	0.0	7.9	0.0	48.0	0.0	0.0	27.9	0.0	0.0	1.0
Investment Income	34.3	63.3	109.6	135.1	79.2	48.5	34.5	26.2	20.9	17.1	22.8
Change Unrealized Loss	12.2	8.9	0.0	15.2	0.0	37.6	12.0	0.0	2.5	15.0	0.0

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

**California Earthquake Authority
Investment Portfolio Distribution at Market Value
as of March 31, 2015**

CEA Liquidity & Primary Funds:	\$4,960,246,452
US Treasuries Long Term	81.1%
US Treasuries Short Term	7.4%
US Treasuries Cash Equivalent	1.4%
US Government Agencies Short Term	7.5%
US Government Agencies Cash Equivalent	1.5%
Commercial Paper	1.1%
Total:	100.0%

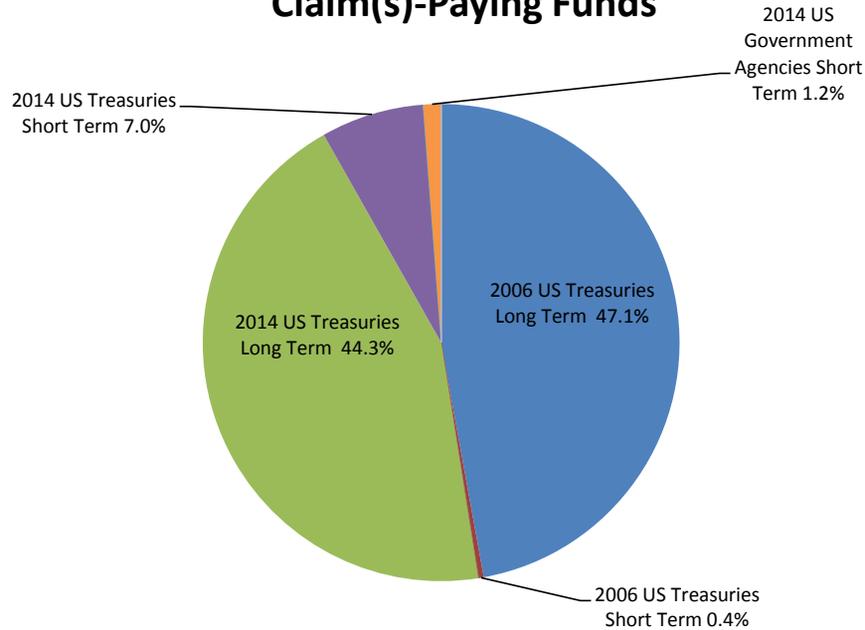


**California Earthquake Authority
Investment Portfolio Distribution at Market Value
as of March 31, 2015**

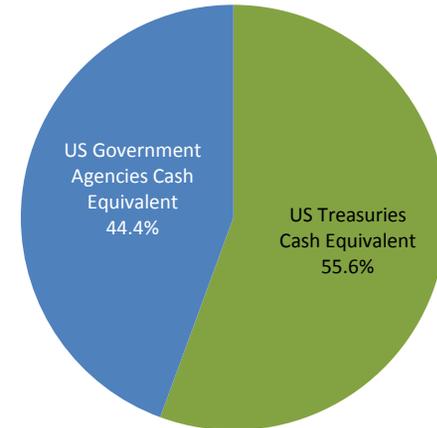
Claim(s)-Paying Funds:	\$667,427,046
2006 US Treasuries Long Term	47.1%
2006 US Treasuries Short Term	0.4%
2014 US Treasuries Long Term	44.3%
2014 US Treasuries Short Term	7.0%
2014 US Government Agencies Short Term	1.2%
Total:	100.0%

Mitigation Fund:	\$23,374,424
US Treasuries Cash Equivalent	55.6%
US Government Agencies Cash Equivalent	44.4%
Total:	100.0%

Claim(s)-Paying Funds



Mitigation Fund



Debt

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

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE	MOODY'S RATING*	FITCH RATING*
Series 2006 Revenue Bonds ¹	\$ 315,000,000	6.169%	\$ 310,829,067	\$ 63,000,000	31-Mar-2015	A3 Outlook Stable	A Outlook Stable

¹As of November 6, 2014, interest and principal are fully funded in escrow for remaining interest and principal payments.

DEBT-SERVICE SCHEDULE

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

Payment Date	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
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

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

**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	31-Mar-2015	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**

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE	MOODY'S RATING*	FITCH RATING*
Series 2014 Revenue Bonds 3 year bond CUSIP 13017HAD8	\$ 60,000,000	1.824%	\$ 59,498,463	\$ 60,000,000	31-Mar-2015	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	\$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**

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE	MOODY'S RATING*	FITCH RATING*
Series 2014 Revenue Bonds 5 year bond CUSIP 13017HAE6	\$ 250,000,000	2.805%	\$ 247,910,261	\$ 250,000,000	31-Mar-2015	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	\$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

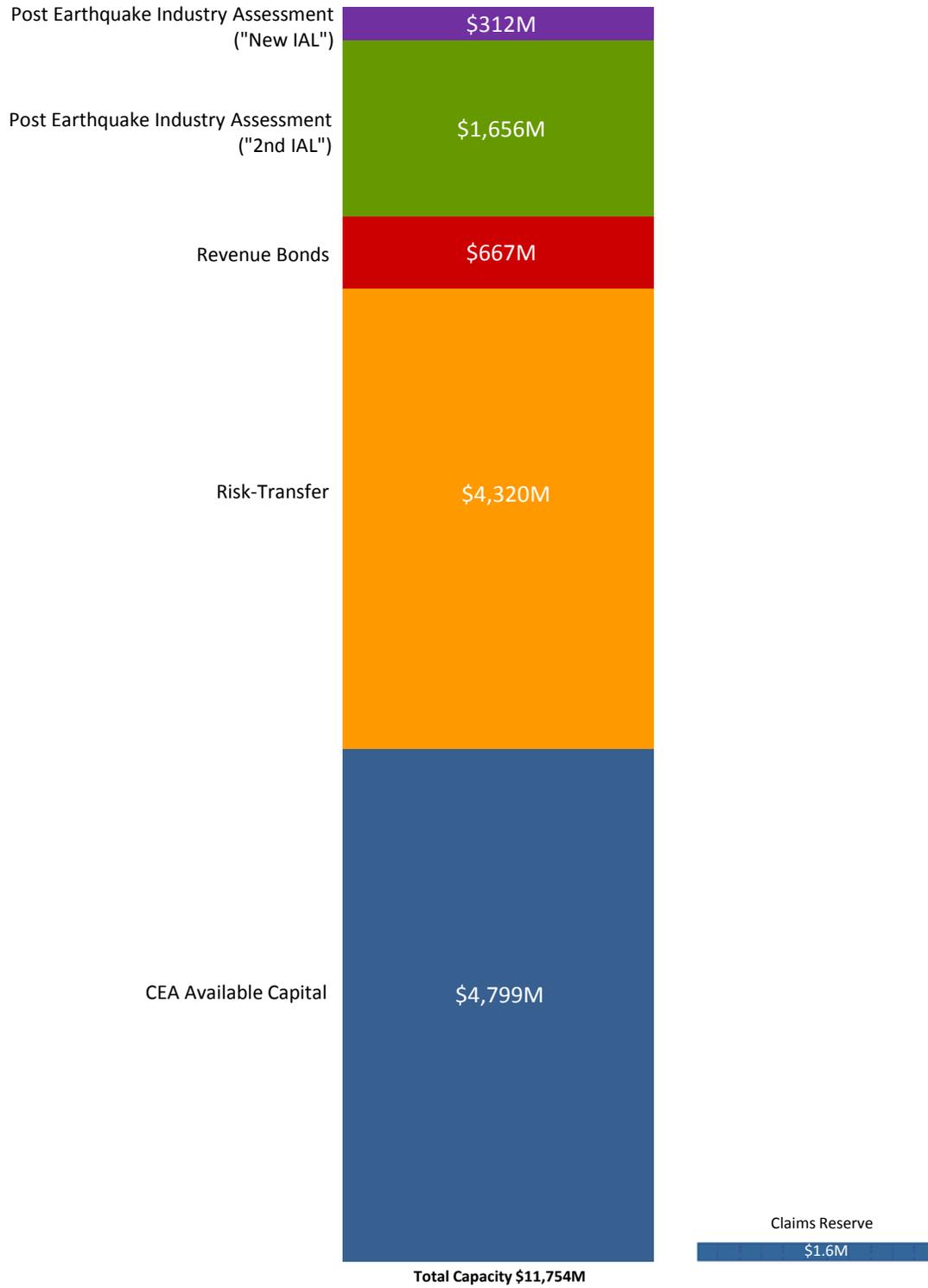
Claim-Paying Capacity

**California Earthquake Authority
Available Capital Report
as of March 31, 2015**

Cash & Investments (includes capital contributions and premiums)	\$ 5,631,414,235 *
Interest, Securities & Restricted Securities Receivable	\$ 15,306,074
Premium Receivable	\$ 50,038,107
Risk Capital Surcharge & Capital Contributions Receivable	\$ -
Other Assets	\$ 443,851
Revenue Bonds	\$ (667,427,046)
Debt Service (Interest, Principal & Debt Service (Min. Bal.))	\$ (2,146,125)
Unearned Premium Collected	\$ (220,123,632)
Accrued Reinsurance Premium Expense	\$ (2,463,227)
Accounts and Securities Payable, and Accrued Expenses	\$ (4,205,801)
Loss Reserves	\$ (1,594,580)
CEA Available Capital	<u><u>\$ 4,799,241,856</u></u>

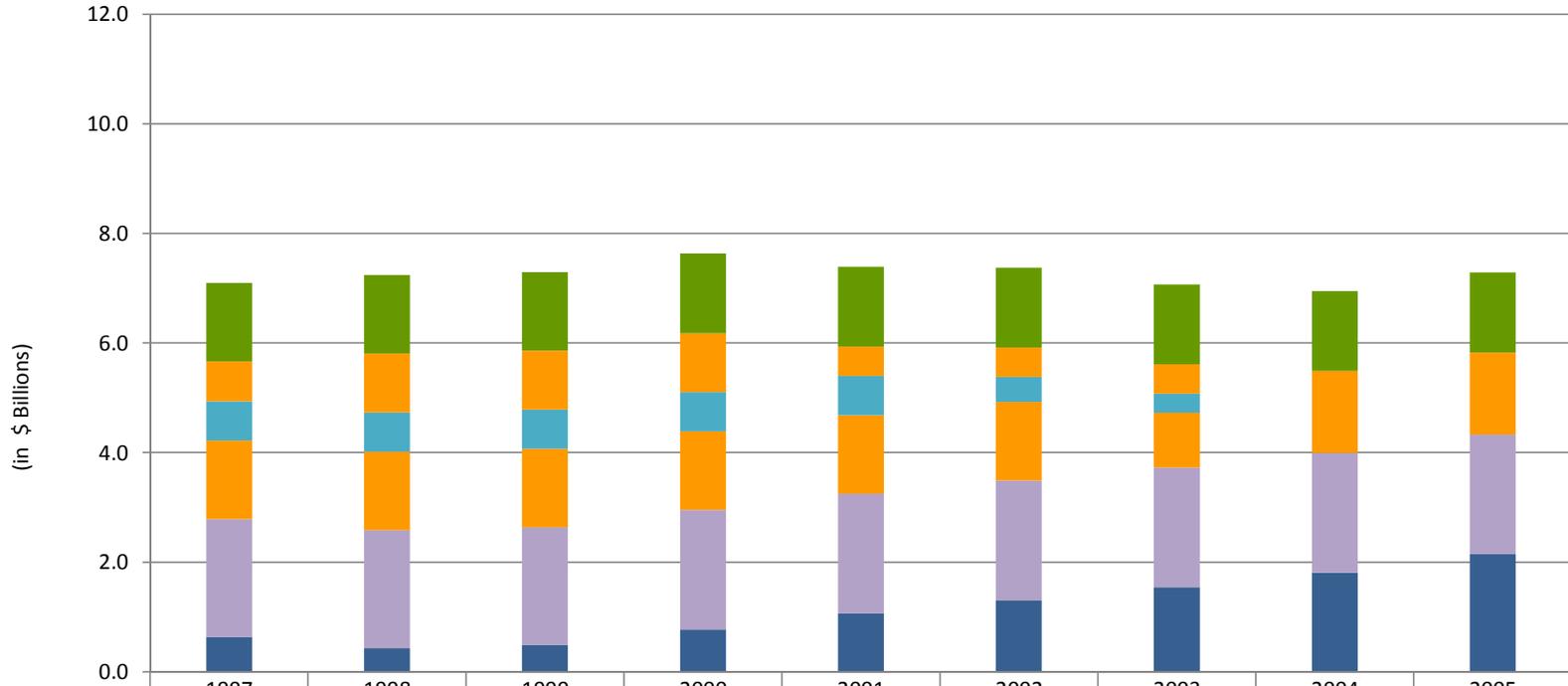
* Does not include Earthquake Loss Mitigation Fund cash and investments of \$23,372,196

**California Earthquake Authority
Claim-Paying Capacity
as of March 31, 2015**

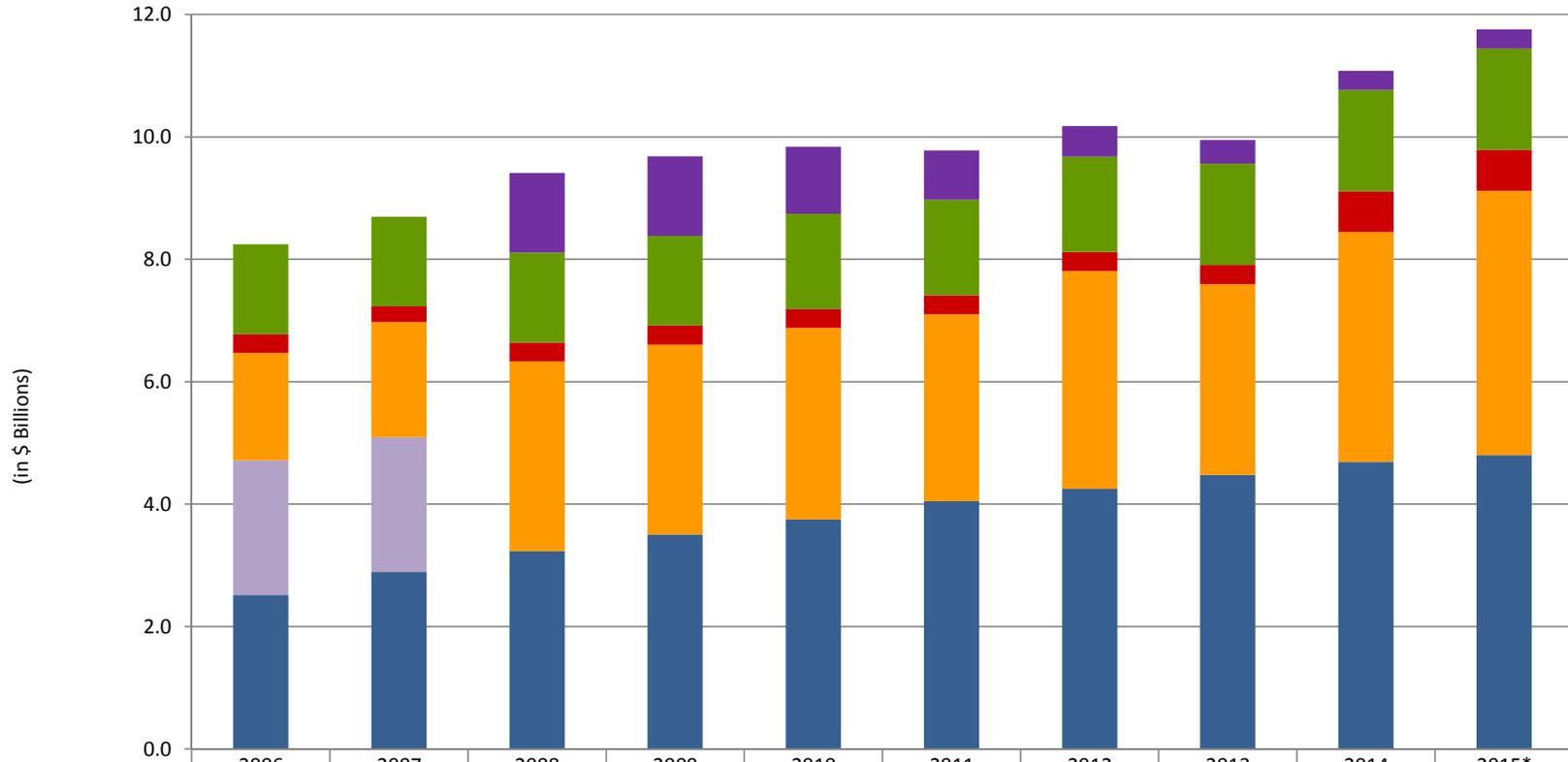


*Not drawn to scale

**California Earthquake Authority
Historical Claim-Paying Capacity (CPC)
December 31, 1997 through December 31, 2005**



**California Earthquake Authority
Historical Claim-Paying Capacity (CPC)
December 31, 2006 through March 31, 2015**



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Total CPC	\$8.244	\$8.695	\$9.411	\$9.685	\$9.840	\$9.777	\$10.179	\$9.949	\$11.081	\$11.754
New Industry Assessment	0.000	0.000	1.304	1.304	1.095	0.804	0.500	0.385	0.312	0.312
2nd Industry Assessment	1.465	1.465	1.465	1.465	1.558	1.558	1.558	1.656	1.656	1.656
Revenue Bonds	0.311	0.254	0.311	0.311	0.311	0.317	0.314	0.314	0.664	0.667
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	1.756	1.885	3.100	3.100	3.123	3.050	3.557	3.115	3.759	4.320
1st Industry Assessment	2.197	2.197	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
CEA Available Capital	2.515	2.894	3.231	3.505	3.753	4.048	4.250	4.478	4.689	4.799

*as of March 31, 2015

Risk-Transfer Programs

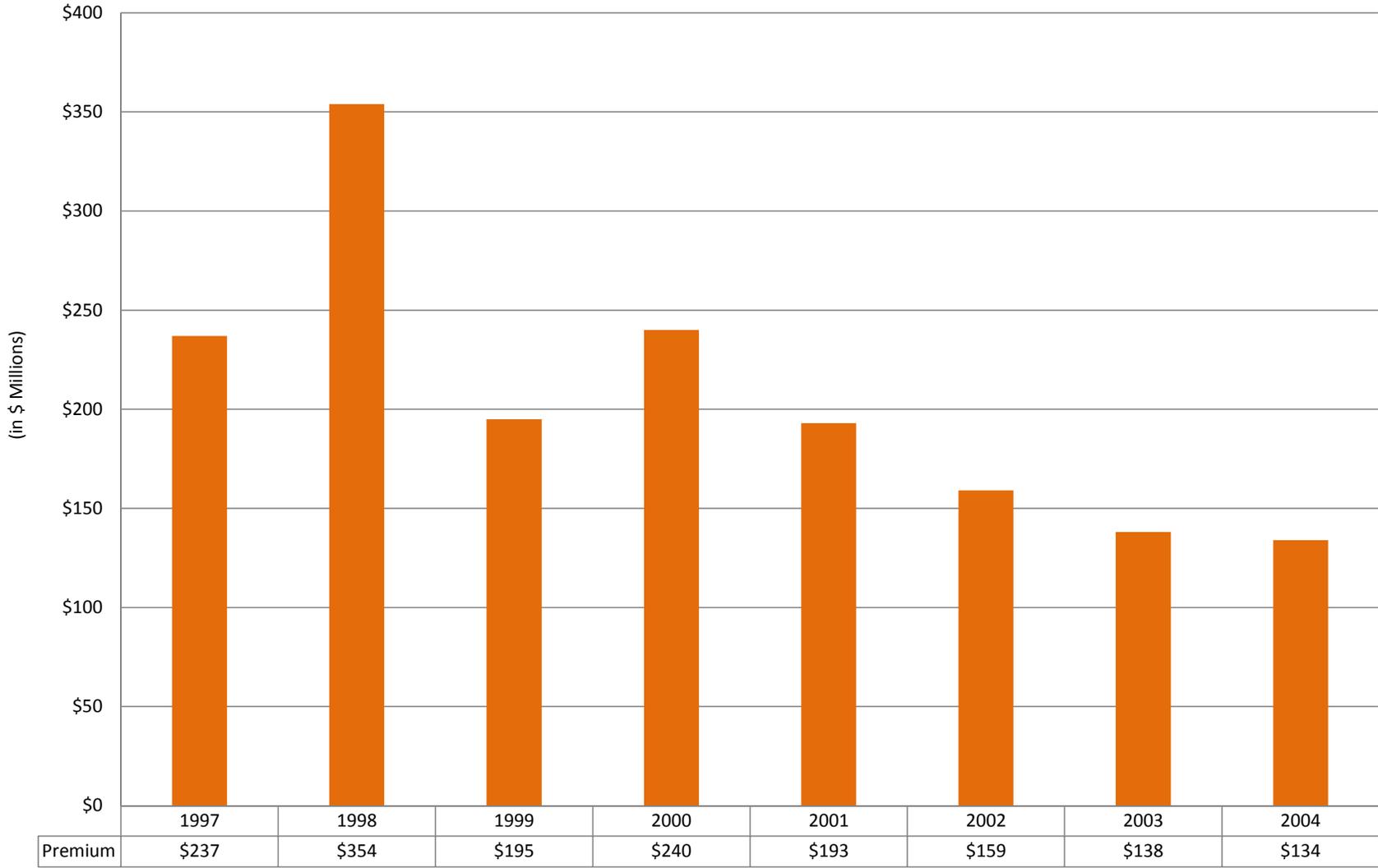
**California Earthquake Authority
Risk-Transfer Program
as of March 31, 2015**

Traditional Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
2015 January Program Contract 1	January 1, 2015 - December 31, 2015	315,491,770	4.50%	14,197,130
2015 January Program Contract 2	January 1, 2015 - December 31, 2015	178,387,500	3.25%	5,797,594
2015 January Program Contract 3	January 1, 2015 - December 31, 2015	99,999,960	6.00%	5,999,998
2015-2016 January Program Contract 1	January 1, 2015 - December 31, 2016	156,431,990	4.55%	7,117,656
2015-2016 January Program Contract 2	January 1, 2014 - December 31, 2016	146,871,875	3.30%	4,846,772
2015-2016 January Program Contract 3	January 1, 2014 - December 31, 2016	24,999,990	5.40%	1,349,999
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	202,999,440	3.70%	7,510,979
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
2012-2015 September Program	September 1, 2012 - August 31, 2015	100,000,000	5.70%	5,700,000
2013-2015 June Program	June 1, 2013 - May 31, 2015	50,000,000	5.65%	2,825,000
2013-2015 August Program Contract 3	August 1, 2013 - July 31, 2015	250,000,000	5.90%	14,750,000
2013-2016 May Program	May 1, 2013 - April 30, 2016	100,000,000	5.60%	5,600,000
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
Total Traditional Reinsurance		\$ 3,620,092,381		
Transformer Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
Transformer Contract 3 (2012 - II)	August 1, 2012 – August 7, 2015	300,000,000	5.05%	11,333,614
2014-2017 Transformer Contract 1	December 1, 2014 - November 30, 2017	200,000,000	5.05%	10,100,000
2014-2017 Transformer Contract 2	December 1, 2014 - November 30, 2017	200,000,000	3.54%	7,070,000
Total Transformer Reinsurance		700,000,000		
Total Risk-Transfer Program		\$ 4,320,092,381		

**California Earthquake Authority
2015 Total Premium Risk-Transfer Program
as of March 31, 2015**

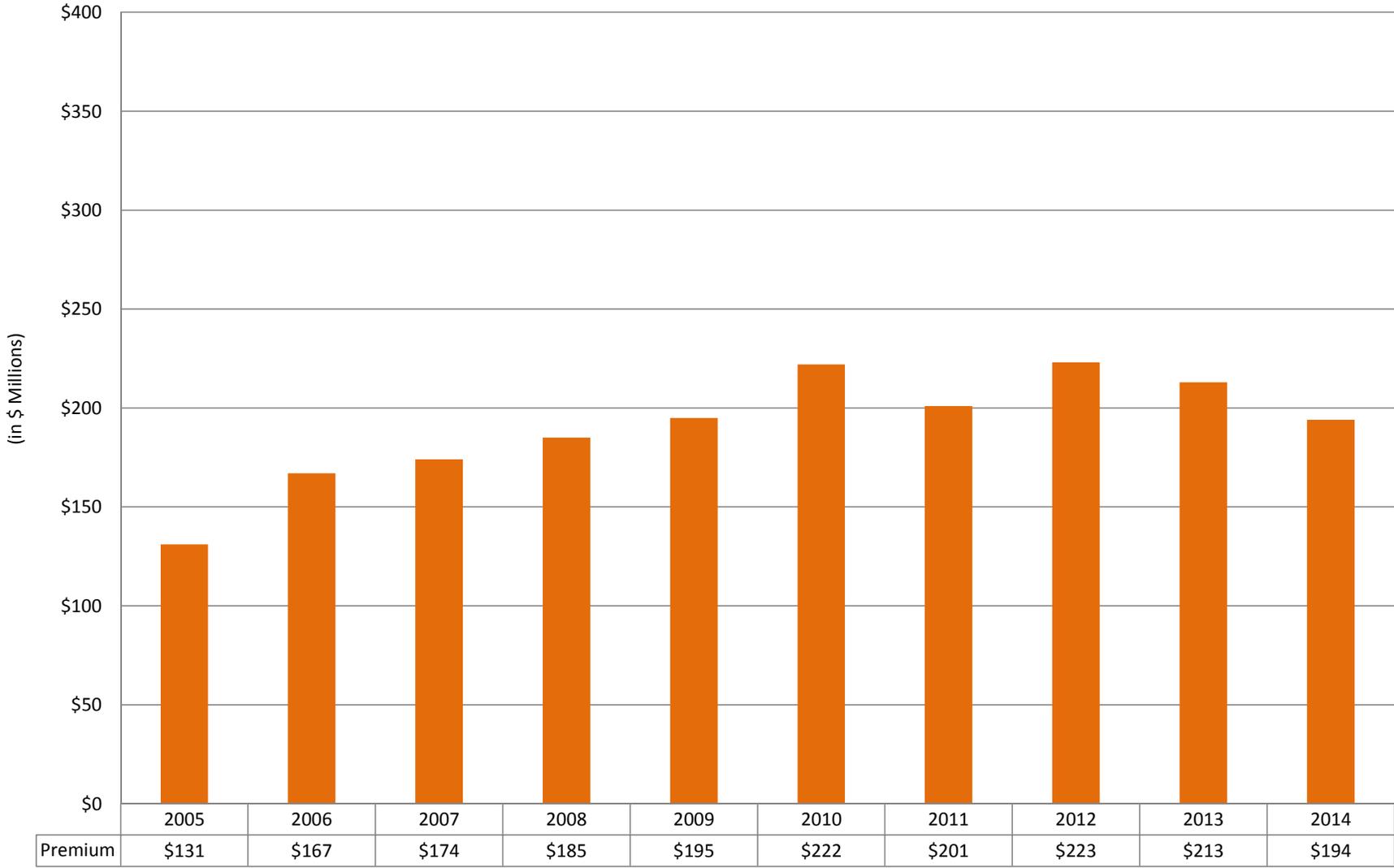
Traditional Reinsurance Contracts	Contract Period	2015 Premium
2015 January Program Contract 1	January 1, 2015 - December 31, 2015	14,197,130
2015 January Program Contract 2	January 1, 2015 - December 31, 2015	5,797,594
2015 January Program Contract 3	January 1, 2015 - December 31, 2015	5,999,998
2015-2016 January Program Contract 1	January 1, 2015 - December 31, 2016	7,117,656
2015-2016 January Program Contract 2	January 1, 2014 - December 31, 2016	4,846,772
2015-2016 January Program Contract 3	January 1, 2014 - December 31, 2016	1,349,999
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
2013-2015 April Program Contract 2	April 1, 2013 - March 31, 2015	1,126,249
2014-2015 April Program Contract 1	April 1, 2014 - March 31, 2015	4,796,893
2014-2015 April Program Contract 1 ADDL	October 1, 2014 - March 31, 2015	1,877,746
2014-2016 April Program Contract 1	April 1, 2014 - March 31, 2016	9,744,324
2014-2016 April Program Contract 2	April 1, 2014 - March 31, 2016	4,593,749
2012-2015 September Program	September 1, 2012 - August 31, 2015	3,800,000
2013-2015 June Program	June 1, 2013 - May 31, 2015	1,177,083
2013-2015 August Program Contract 3	August 1, 2013 - July 31, 2015	8,604,167
2013-2016 May Program	May 1, 2013 - April 30, 2016	1,866,667
2014-2015 August Program Contract 1	August 1, 2014 - July 31, 2015	5,250,000
2014-2015 August Program Contract 2	August 1, 2014 - July 31, 2015	6,562,500
2014-2015 August Program Contract 3	August 1, 2014 - July 31, 2015	3,583,125
Total Traditional Reinsurance Premium		\$ 120,499,171
Transformer Reinsurance Contracts	Contract Period	2015 Premium
Transformer Contract 3 (2012 - II)	August 1, 2012 – August 7, 2015	11,333,614
2014-2017 Transformer Contract 1	December 1, 2014 - November 30, 2017	10,100,000
2014-2017 Transformer Contract 2	December 1, 2014 - November 30, 2017	7,070,000
Total Transformer Reinsurance Premium		\$ 28,503,614
Total Risk-Transfer Program Premium		\$ 149,002,785

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



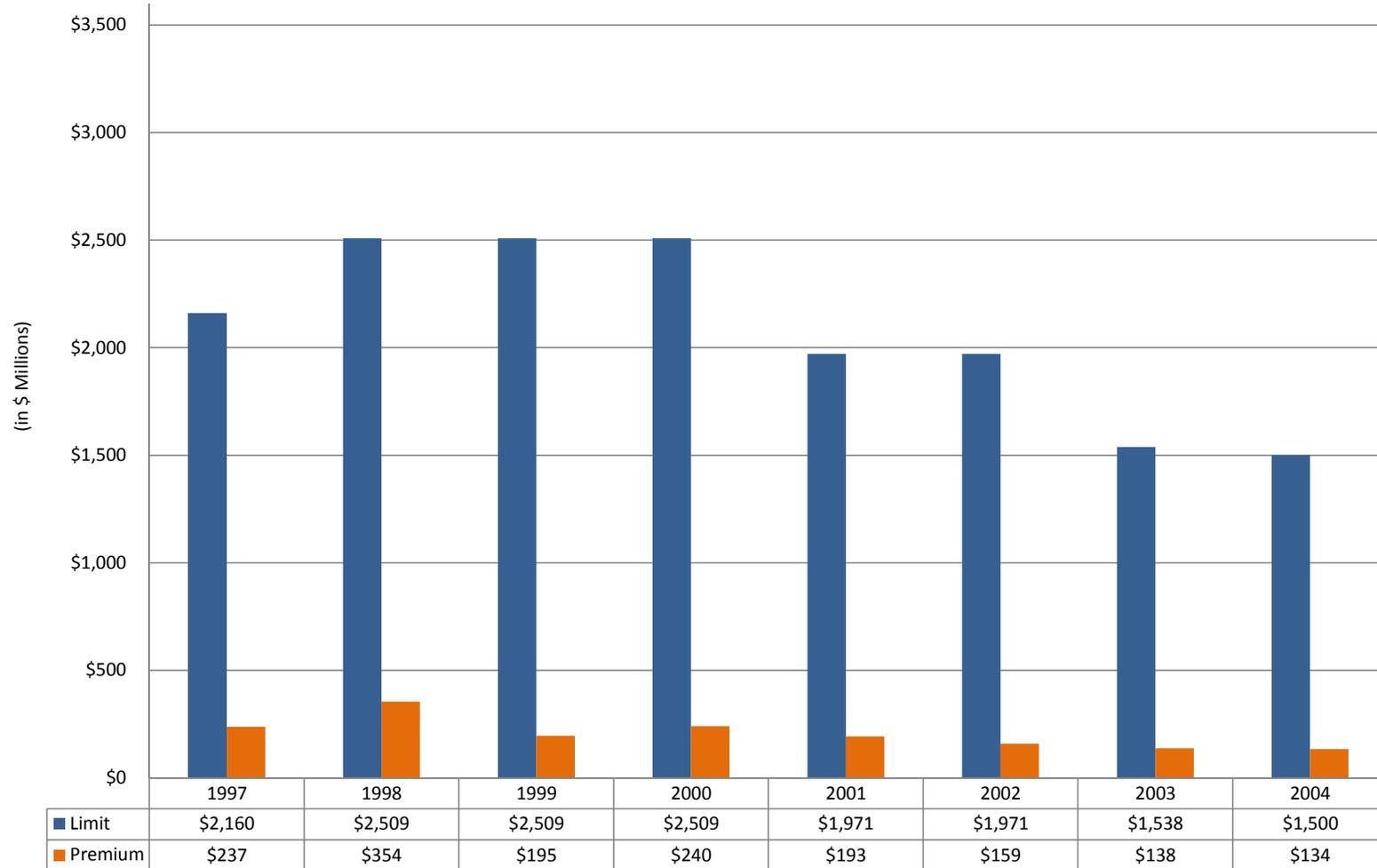
(in \$ Millions)

**California Earthquake Authority
Annual Risk-Transfer Premium
December 31, 2005 -December 31, 2014**



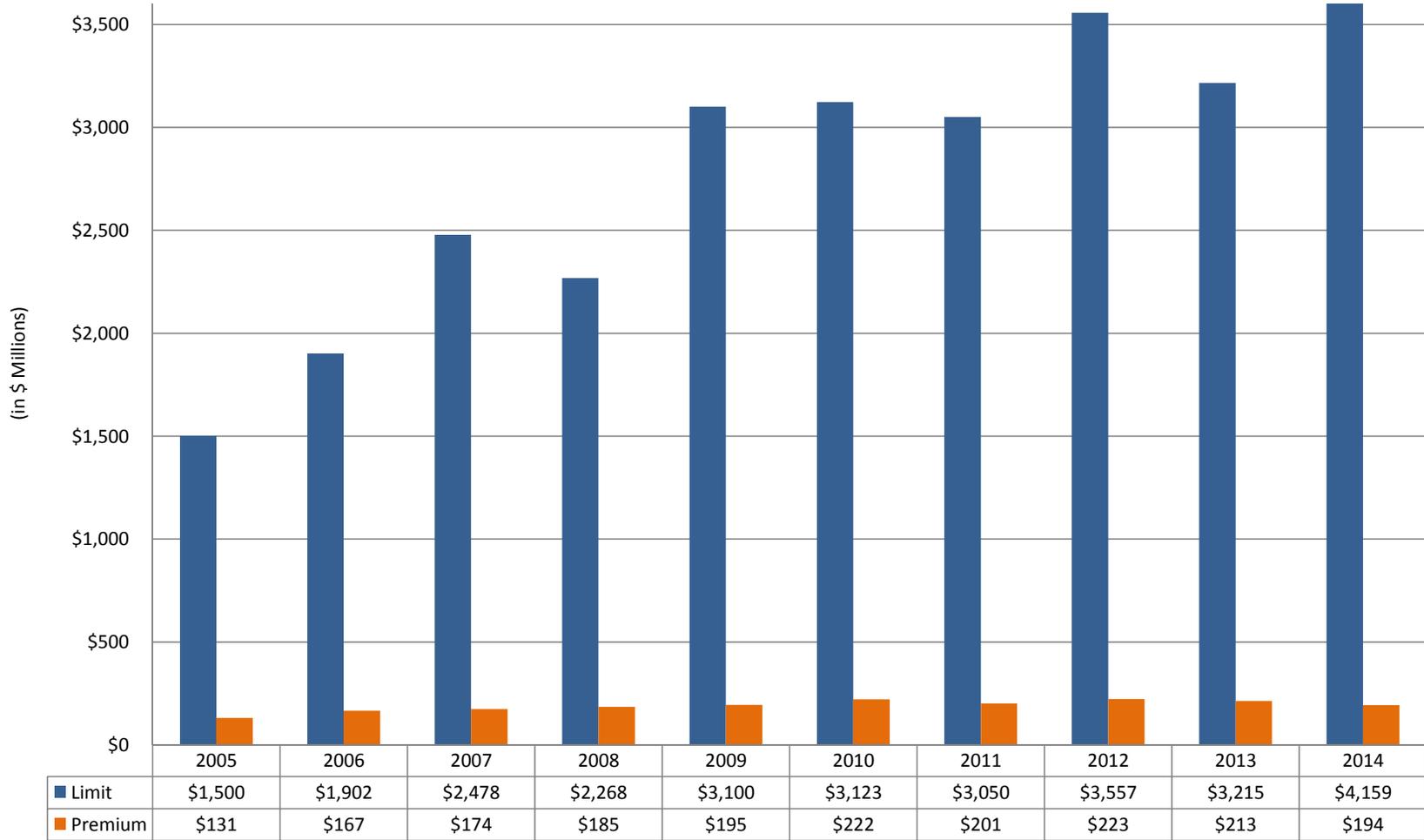
(in \$ Millions)

**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, 2014**



(in \$ Millions)

Governing Board Memorandum

May 28, 2015

Agenda Item 6: CEA Advisory Panel update—Russina Sgoureva

Recommended Action: No action required - information only

CEA Advisory Panel member Russina Sgoureva will provide a summary of the proceedings from the April 23, 2015, Advisory Panel meeting.

Governing Board Memorandum

May 28, 2015

Agenda Item 7: CEA Participating Insurers – Maximum Earthquake-Loss-Funding-Assessment Levels - revised

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

Background:

California Insurance Code section 10089.25 states,

“Beginning December 31, 1997, and annually thereafter on the 30th 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:

The 2015 Maximum Earthquake-Loss-Funding-Assessment Levels presented by staff at the February 28, 2015, Board meeting contained an error, which required a correction.

- The assessment level is determined using each CEA participating insurer’s respective CEA earthquake market-share percentage, based on the insurer’s written CEA written premium.
- From this calculation, the CEA determines each insurer’s maximum earthquake loss funding assessment level.
- But because of an error in the calculation, two participating insurers’ maximum earthquake loss funding assessment levels were reported in error.
- In addition, the column “California Residential Market Share” for some participating insurers was also reported in error.

The amended “2015 Maximum Earthquake-Loss-Funding-Assessment Levels” in *Attachment A* shows the revised/corrected maximum earthquake loss funding assessment levels for the two participating insurers and the corrected California Residential Market Share for each participating insurer.

The revisions are highlighted in the attachment to indicate which amounts were amended.

Recommendations:

Staff recommends that:

- The Board adopt the revised CEA market-share percentages shown in *Attachment A*, to be used to determine the maximum earthquake loss funding assessment levels for CEA participating insurers, effective April 30, 2015.
- The Board authorize and direct CEA staff to notify the two participating insurers of their revised, respective, April 30, 2015, maximum earthquake-loss-funding-assessment level responsibility.

CEA Participating Insurers
2015 Maximum Earthquake-Loss-Funding-Assessment Levels
(Based on CEA Written-Premium Market Share as of December 31, 2014)
REVISED

<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 ²	12.768039%	4.474138%	\$ 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%	14.224032%	\$ 199,462,576	\$ 28,660,148	\$ 228,122,724	\$ 73,154,367
Inter-Ins. Exchange	6.876939%	4.794535%	\$ 113,853,640	\$ 16,359,270	\$ 130,212,910	\$ 41,756,660
Safeco	6.107724%	2.332458%	\$ 101,118,621	\$ 14,529,415	\$ 115,648,036	\$ 37,085,998
CSAA ¹	4.950602%	6.070076%	\$ 81,961,478	\$ 11,776,786	\$ 93,738,264	\$ 30,059,975
Mercury	3.396040%	3.212121%	\$ 56,224,366	\$ 8,078,701	\$ 64,303,067	\$ 20,620,700
Nationwide	2.597786%	5.109253%	\$ 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%	0.762840%	\$ 12,541,406	\$ 1,802,034	\$ 14,343,440	\$ 4,599,653
Encompass	0.650457%	0.467225%	\$ 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
MAPFRE	0.029866%	0.029791%	\$ 494,463	\$ 71,047	\$ 565,510	\$ 181,348
Golden Eagle	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
TOTAL	100.00000%	72.56207%	\$ 1,655,586,000	\$ 237,885,938	\$ 1,893,471,938	\$ 607,198,345

* 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 June 2014.

¹ ACA was combined with CSAA

² Garrison was combined with USAA

Governing Board Memorandum

May 28, 2015

Agenda Item 8: Application of Progressive Insurance Group to become a CEA participating insurance company

Recommended Action: Authorize the Authority's CEO to negotiate and execute an Insurer Participation Agreement with Progressive Insurance Group and carry out additional, related acts

Background:

Progressive Insurance Group has applied to become a participating insurer of the California Earthquake Authority.

Progressive Mutual Insurance Company, Progressive Insurance Group's first company, was founded in 1937 as an auto insurer dedicated to providing innovative approaches to auto insurance. The Progressive Corporation was formed in the 1960s following years of company growth and expansion. Progressive Insurance Group is headquartered in Mayfield Village, Ohio, and is one of the largest auto insurance groups in the United States. Progressive Insurance Group maintains an A.M. Best A+ (Superior) rating.

Progressive Insurance Group currently offers residential property insurance through third-party insurers. But in 2014 and 2015, Progressive Insurance Group and its subsidiary, ASI Select, filed with the California Department of Insurance to write homeowners, condominium, fire, and renters insurance in California by the end of second quarter 2015.

If its application to the CEA Governing Board is successful, Progressive would use CEA products to fulfill its statutory earthquake-insurance offers.

Analysis:

By law, each CEA participating insurer must enter into an Insurer Participation Agreement (referred to generally as the "PI Agreement"). Each PI Agreement has been executed on behalf of a participating insurer, the Authority, and the Insurance Commissioner. The Agreement sets forth the rights and responsibilities of the parties "with respect to each participating insurer's participation in the Authority." Agreements must be uniform for all participating insurers—in practice, the only variation between the agreements is in names and addresses of the participating insurers.

By law, affiliates of CEA participants and insurers under common control with a CEA participant must also be or become CEA participating insurers. For example, when a

CEA participant has an affiliate, subsidiary, or parent company that issues residential property insurance in California, each must execute or become a party to a PI Agreement.

Before Progressive Insurance Group can legally offer the Authority's earthquake policies to its customers, Progressive must execute and become subject to a CEA Insurer Participation Agreement. CEA staff is working with Progressive to ensure all prerequisites for CEA participation are met, including operational infrastructure and any legally required capital contribution.

In addition, CEA staff recommends that Progressive be subject to a potential "risk-capital surcharge," as defined in Insurance Code section 10089.16(d), which became law on July 1, 2008. The authority for and application of the surcharge is explained below.

As part of the CEA application process, an applicant is required by Insurance Code section 10089.16(d) to submit policy data to the CEA for its earthquake-insurance book of business. The data allows CEA staff to complete an initial "earthquake-insurance risk profile" using EQECAT computer modeling to determine the current likelihood and magnitude of additional CEA losses that would be attributable to insuring the applicant's business during their first full year of participation.

Based on this analysis of the applicant's earthquake insurance risk profile and under the law noted above, if in the Governing Board's sole judgment the addition of the applicant's business would:

- bring business more likely to produce losses than a comparable book of CEA business, or
- bring business likely to produce greater losses than a comparable book of CEA business, then

the Board may condition approving the applicant's application on payment by the applicant of up to five annual risk-capital surcharges, in addition to any legally required capital contribution and any assessment obligations.

Under the law, the Board must calculate the first risk-capital surcharge one year after the date the new participant first places or renews business into the CEA; in addition the Board must recalculate the risk-capital surcharge for each of up to four years after the first calculation and impose any resulting surcharge. Once the insurer's earthquake-insurance risk provide becomes substantially similar to the CEA's average risk profile for a CEA book of business of similar size, however, the Board must relieve the insurer of further obligation to pay risk-capital surcharges.

The law also provides that each annual risk-capital surcharge must equal the CEA's increased cost of providing or securing capacity to insure the new participant's excess earthquake insurance risk.

Because Progressive Insurance Group has no earthquake-insurance book of business, no “earthquake-insurance risk profile” can be completed until the *completion* of Progressive’s first year of CEA participation. At that time, the CEA can determine whether Progressive’s book of business is more likely to produce losses for the CEA, or is likely to produce greater losses for the CEA, when compared to the CEA’s comparable book of business (removing risks written by Progressive).

CEA staff recommends that, as a condition of the Board’s acceptance and approval of Progressive’s application for CEA participation, the Board require completion of an “earthquake-insurance risk profile” to determine if a risk capital surcharge is warranted at the end of Progressive’s first year of CEA participation, subject to the provisions related in Insurance Code section 10089.16, subdivision (d).

The legal authority that supports the Board’s imposing this condition in this manner is found in Insurance Code section 10089.16, subdivision (a): *On application to the board, payment of any assessments and fees calculated by the board, and fulfillment of any additional requirements imposed by the board, nonparticipating insurers may become participants in the authority with all rights and privileges attendant to that participation.* [Emphasis added.] Under the circumstances presented by Progressive’s application, and in keeping with the purpose and spirit of the amendment to the CEA law in 2008 through Senate Bill 430, CEA staff recommends this approach as fair and reasonable.

The Board will be presented with a form of resolution that authorizes the Authority’s CEO to oversee the negotiations for, and to execute on behalf of the CEA, an Insurer Participation Agreement. In order to take effect, and as noted above, the Agreement must be signed on behalf of Progressive Insurance Group and by the Insurance Commissioner. CEA staff will facilitate the logistics of that process.

Recommendation:

In accord with the written resolution presented to the Board on this date, CEA staff recommends that the Governing Board (1) approve Progressive Insurance Group’s application and (2) authorize the Authority’s CEO Glenn Pomeroy, assisted by the CEA general counsel, to negotiate and execute on the Authority’s behalf an Insurer Participation Agreement with Progressive Insurance Group that meets the description and requirements above, and to take any and all additional, related and necessary steps to accomplish the related and supporting acts contemplated and described above.

Governing Board Memorandum

May 28, 2015

- Agenda Item 9: Proposed participating-insurer reimbursement rates for new mandatory marketing documents, which under 2014 CEA-sponsored legislation, are to be produced at CEA's expense
- Distribution to all participating-insurer policyholders will commence in 2016.

Recommended Action: Information only – no action required

Governor Jerry Brown signed Assembly Bill 2064 in September 2014. This memorandum discusses reimbursement to CEA participating insurers for their production and distribution of these Mandatory Marketing Documents (MMD).

Background:

CEA contacted all Participating Insurers (PIs) in mid-November 2014 to collect company-specific information needed to fulfill the AB 2064 MMD requirement.

After the CEA completed first-round discussions with its PIs about timing, format, printing, co-branding, contact information (for CEA policy sales), and agent/producer coordination, CEA requested and received follow-up information for potential MMD production and distribution costs from nine PIs.

- These cost estimates generally conformed to a core professional print-production rule-of-thumb: the more items you print, the less each printed item costs.
- Postage costs are based on pre-sorted cost standards, as applicable.

Based on PI estimates and estimates provided by CEA's own mail-house vendor, CEA staff is proposing a reimbursement structure through which actual PI production and distribution costs may be reimbursed, up to a specified amount for each MMD mailed. Costs for production and distribution are covered in the proposed reimbursement rates:

Proposed Reimbursement Rates for MMD	
Number of residential property insureds	Reimbursement rate per piece mailed
Large (over 800k)	\$0.39
Medium (300k-799k)	\$0.42
Small (50k-299k)	\$0.53
Micro (under 50k)	\$0.81

CEA also has proposed two alternative distribution methods to help alleviate some of the workload and cost associated with production and distribution of the MMD and now is exploring the possibility of printing and distributing the MMD on behalf of PIs that are interested.

At the Board meeting in August, CEA staff plans to request approximately \$3.6 million to support these costs under a CEA budget sub-item entitled “Statutory Market Support and Promotion,” which rolls up to budget line item “Participating Insurer Operating Costs.”

Recommendation:

Information only—no action required

Governing Board Memorandum

May 28, 2015

Agenda Item 10:

Proposed 2016 CEA Advertising Budget

Recommended Action:

Approve proposed funding to implement 2016 CEA advertising program

Beginning in 2016, CEA will be positioned to seize its single-greatest marketing opportunity to date. Never before have so many pieces of the marketing mix come together at the same time.

From a product perspective, CEA will roll out numerous new policy options. Average statewide rates will be reduced again. And a new mitigation discount will, for the first time, serve as a big incentive to retrofit older houses while lowering rates for those who already have done so.

In addition, CEA has plans to roll-out a new campaign to complement first-time distribution of a Mandatory Marketing Document (MMD) to nearly 9 million California residents.

Finally, also for the first time, CEA will have the basic digital infrastructure and software in place to begin evaluating the effectiveness of a stronger proposed marketing partnership between CEA and its participating insurers (PIs).

Background:

CEA planning begins with awareness of the barriers-to-purchase for earthquake insurance:

- People don't perceive risk from high-consequence, low-probability events
- People perceive their personal safety as mostly unaffected by natural disasters
- People believe the government will pay to repair earthquake damage to their homes
- People believe earthquake damage is covered by their home-insurance policy
- Messages urging earthquake preparedness have low market penetration
- People are not aware of CEA and question how it can pay claims
- Many agents have no relationship with CEA; are not motivated to sell its policies
- Many CEA policies are purchased without an agent recommendation
- Information on how to purchase a CEA policy is not available on many PI websites

CEA communications are based on a foundation of research:

- Consumer/Agent Survey (2008)
- Social Science (2008)
- Branding (2009)
- Market (2010)
- Policyholder (2010)
- Economic (2010)
- Message (2011)
- Agent Training (2011)
- Advertising Performance (2012)
- Mandatory Offer (2013)
- Product (2014)
- Ad concepts (2013) and (2015)

CEA communications are organized according to a marketing mix:

- Product – four enhancements (1999, 2006, 2012, 2016)
- Price – four rate reductions (1999, 2006, 2012, 2016)
- Promotion – annualized advertising budget (2011-present)
- Place (distribution) – mandatory marketing document (2016)

CEA communications are managed through a digital infrastructure:

- Website/portal with responsive design
- Content Management System
- Customer Relationship Management software
- Media buying, media relations, message-distribution software

Analysis:

Strategic communication is a priority for the CEA. Implementation of CEA communications strategy is consistent with academic studies and adheres to professional standards.

In sum, CEA’s strategic communications seek to implement three groups of tactics through one strategy, to achieve two objectives, to fulfill one goal.

Goal: Increase the number of CEA earthquake insurance policies sold.

Objective 1 – Business-to-Business (B2B):

- Increase number of agents completing CEA training, per PI, per two-year cycle, by 5%
- Increase number of agents annually registering in MVP, per PI, by 5%
- Show that annually, at least three PIs are expanding CEA information on their websites
- Add one PI annually to engage in CMV/CMA

Objective 2 – Business-to-Consumer (B2C):

- Increase annual premium calculator estimates, per PI, by 5%
- Increase number of co-branded, non-MMD direct-mail pieces delivered per PI by 5%
- Increase number of consumer CTRs from CEA premium calculator, per PI, by 5%
- Align number of co-branded broadcast/online impressions with budget increase/decrease

Strategy – Move potential policyholders through CEA’s online hub to PI websites:

- CEA Consumer Website – Responsive design for desktop and mobile viewers
- CEA PI Portal – Private dashboards for sales data and support
- *California Rocks!* App – Refreshed reasons for residents to engage

Campaign – Deliver “Straight Talk” on risk for earthquake damage to California residents.

CEA’s new campaign for 2016, like previous CEA campaigns, will be research-based:

- Participants’ knowledge and awareness of EQ insurance is generally negative, rooted in history, and may not be accurate – yet it drives current decisions:
 - First step is to overcome barriers, provide reasons to revisit options.

- Residents acknowledge they have become complacent while recognizing they may be at risk for earthquake damage; they're concerned about the next big one:
 - Second step is to help residents rethink the risk/benefit ratio and what it means for their life and property, post-event.
- Residents want to have control (consistent with 2011 message research); they want options (consistent with 2010 market research); they want to know their own risk; and believe they need to be jolted out of complacency:
 - Third step is to help residents become aware of new options, that they can be in control, and options are available to help them achieve their post-event goals.

CEA's new campaign proposed for 2016 fulfills suggestions from research respondents:

- Remind people of risk for damaging earthquake most believe is overdue
- Acknowledge that they feel overdue in updating their knowledge of EQ insurance
- Link positive outcomes to having EQ insurance before the next earthquake
- Promote the need people feel to take control of their post-earthquake recovery options

Tactics – Business-to-Business (B2B):

Mandatory Marketing Document

Omnibus Survey (2013) – Earthquake insurance and mandatory offer letter:

- Cost of EQ damage is top reason for obtaining earthquake insurance
- Misinformation, lack of clear understanding of coverage for EQ damage is pronounced
- 73% believe they should get more information about EQ insurance
- Fewer than half recall receiving a letter or notice offering EQ insurance

Present law—following legislation sponsored by CEA in 2014—and consistent with Omnibus Survey research commissioned by CEA, now reads: “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.”

Policy / Sales Training

Agent-training courses were created in 2003 to help agents describe the value of earthquake insurance to customers. They provide an overview of CEA and its policies, and offer material to help get customers past common misperceptions.

Those who successfully complete CEA agent training every two years—in person, by webinar, or online—receive two legally required continuing education (CE) credits.

Completion of CEA policy training is required for agents to register in CEA's Marketing Value Program (MVP), which includes free marketing support (such as access to the new agent portal on the CEA website that offers sales information and free direct mail).

CEA research (2011) confirms that agent training improves sales. Specifically, a rough estimate from regression models indicates that in a typical area, on average, one in-person-trained agent is associated with two additional policies sold in a year.

Going forward, CEA is expanding the role for agent training by rebranding it as CEA Policy Training and Sales, integrating other expertise to share with agents, and engaging agents in the promotion of new training and sales offerings.

Marketing Value Program (MVP)

CEA's MVP was introduced in 2011 to offer free marketing support for licensed, participating-insurer agents who want to promote earthquake insurance to homeowners, condo-unit owners, or renters.

Provides agent portal that offers marketing-support materials:

- Training registration in-person, via webinar, online
- Sales tools (including overcoming objections and FAQ)
- Training vignettes covering numerous topics
- Unique insurance-marketing information
- Preparedness items for potential policyholders

Delivers on-demand, postage-paid direct mail to prospective CEA policyholders:

- Homeowners (English, Chinese, and Spanish)
- Condominium-unit owners (English)
- Renters (English and Spanish)
- Local risk (English)

Delivers free Emergency Preparedness Starter Kits to new CEA policyholders:

- Fulfilled in the name of the agent who sold the new CEA policy
- Includes EQ Safety Checklist, Red Cross Personal Emergency Pack, Cabinet Door and Picture Hook Latches, Museum Putty

Cooperative Marketing Venture / Agreement (CMV / CMA)

CEA introduced the CMV in 2014:

- Co-promote PI products with CEA policy through online advertising
- Sought to facilitate digital handshake – completion of online sales funnel
- *California Rocks!*™ website created to host CMV co-branded programming
- Engaged five PIs (41% of book); three for co-branded ads (25% of book)

CEA is working to expand the CMV to reach the next level of marketing expertise (CMA):

- Feature new product offerings:
 - More policy options
 - Lower rates
 - Mitigation discount for policyholders with verified retrofit

- Leverage new marketing research:
 - CEA policyholder profile / media consumption habits
 - Prospecting database / indexes per PI and Zip Code
 - Individual cooperative marketing opportunities per PI

Tactics – Business-to-Consumer (B2C):

Paid Media (Advertising)

Paid media serves as the primary channel for delivery of CEA policy information to residents and for prompting residents to contact their home-insurance agents to purchase a policy.

A comprehensive advertising plan is required to address media-consumption behaviors that vary across a target audience of nearly 9 million residents.

Through advertising across multiple channels, CEA seeks to create an echo-chamber effect in which information is amplified and reinforced by the repetition of campaign-style messages:

- Television advertising delivers the power of sight, sound, and motion, and provides more reach-and-frequency efficiencies than any other platform.
- Radio stations offer varying formats that appeal to different segments of residents.
- Online ads target residents geographically, demographically, contextually, behaviorally.
- Print ads/inserts planned for the Bay Area, Los Angeles and San Diego deliver reach numbers both large and small, reinforce branding, and can remain with target audiences for extended periods of time.
- Out-of-home advertising reaches people on-the-go.
- Direct mail offers B2B reinforcement, and out-paces electronic mail-response rates.

Earned and Social Media

Ensuring journalists and residents alike are educated on the role of CEA policies in residential recovery from earthquake damage is a primary responsibility for CEA communications.

While paid advertising enables CEA to control the reach and frequency of its marketing messages, CEA must earn interest and accuracy in reporting from journalists.

Beginning in 2016, CEA will feature a new online press room at EarthquakeAuthority.com. This new capability will offer refreshed news-writing updates and opportunities for journalists to access both before and after a damaging earthquake.

Concurrent with availability of this new online press room in 2016, CEA will begin engaging with California residents in social media for the first time.

CEA knows it also will have to earn interest and accuracy for any conversations generated about related topics in social media. To fulfill this responsibility, CEA will be using software and conducting training internally to ensure proper engagement protocols are met.

Tactics – Business-to-Stakeholders (B2S):

*Get Prepared, California!*TM (American Red Cross)

CEA joined forces with Red Cross and broadcast media in 2012 to help Californians prepare to survive and recover from the next damaging earthquake:

- Combined CEA’s residential-insurance expertise and loss-mitigation knowledge with Red Cross expertise on preparing a kit, making a family disaster plan, being informed
- Developed a website to host joint calls-to-action at GetPreparedCalifornia.org
- Created and will continue to promote Red Cross Online Auction during Earthquake Preparedness Month in April and continue to help promote registration in the annual Great California ShakeOutTM earthquake preparedness drill in October

Renters EQ Recovery Campaign (United Policyholders)

CEA worked with United Policyholders in 2014, as well as with the City of Oakland and the City and County of San Francisco, to co-promote the need for renters insurance for potential earthquake damage.

A co-branded media plan was developed by CEA to target dense urban residential populations where the take-up for earthquake insurance policies in San Francisco was around 2%, and in Oakland around 1%.

This pilot program developed for 2014 featured a celebrity spokesperson in transit, cable TV, and radio advertising, produced in PSA formats.

CEA plans to repeat this advertising plan in San Francisco and Oakland in 2016 and expand this plan in 2016 to include the cities of Los Angeles and San Diego.

*Great California ShakeOut*TM (Earthquake Country Alliance)

CEA has been the primary promoter of the Great California ShakeOutTM since its creation as the Great Southern California ShakeOutTM in 2009. Since 2009, CEA has delivered more than 315 million media impressions promoting participation in the ShakeOutTM. In 2014, more than 10.4 million Californians participated in the drill.

Participation in future ShakeOutTM programming will focus on distribution of the new publication called *Staying Safe Where the Earth Shakes*, which was created by the Earthquake County Alliance, combined with rotation of related PSAs in CEA’s paid-media planning.

Recently updated *Putting Down Roots in Earthquake Country*:

- Refreshed under new title *Staying Safe Where the Earth Shakes*
- Developed entry-level content
- Updated the *7 Steps to Earthquake Safety* to include earthquake insurance
- Incorporated “values-based message” research

- Accommodated audiences with lower-literacy and English as a second language
- Co-funded with Cal OES

CEA will continue to rotate ShakeOut™ TV and Radio PSAs in its paid-media plan:

- Commit a percentage of radio advertising to include celebrity PSAs
- Commit a percentage of TV advertising to include news anchor /reporter PSAs

Proposed 2016 Advertising Budget:

CEA staff is proposing an advertising budget it considers necessary to seize its single-greatest marketing opportunity to date: rolling out new policy options, lower statewide average rates, and a greater mitigation discount to complement distribution of a new mandatory marketing document.

Importantly, the proposed advertising budget is a part of the new CEA rates and rating plan that were approved by the CEA Governing Board in December 2014 (for submission to the Department of Insurance) and then approved by the Insurance Commissioner in March 2015.

Finally, CEA staff proposes an advertising budget for 2016 that remains well below the P&C industry standard for percent-of-total-premium dedicated to advertising budgets.

	<u>2015</u>	<u>2016</u>
• Television	\$ 2,929,294	\$ 3,448,688
• Radio	\$ 1,737,043	\$ 1,983,536
• Online	\$ 2,362,140	\$ 2,561,026
• Trade	\$ 74,448	\$ 102,001
• Direct Mail	\$ 2,300,750	\$ 2,253,449
• Out-of-Home	\$ 0	\$ 500,000
• Print	\$ 0	\$ 500,000
TOTAL Budget	\$ 9,405,690	\$ 11,348,700

Recommendation:

Approve up to \$11,348,700 to implement CEA’s proposed 2016 advertising budget.

Governing Board Memorandum

May 28, 2015

Agenda Item 11: Extend software-license agreement with EQECAT by three years – permits CEA to continue essential in-house earthquake-loss modeling

Recommended Action: Approve CEA’s extending EQECAT software license by three years (to July 2018)

Background:

There are three widely recognized commercial earthquake models/modelers: AIR Worldwide Corporation (AIR), EQECAT, and Risk Management Solutions (RMS). Although the CEA has contracted for portfolio-modeling services from each of these modelers since 2004, since its inception in 1996 the CEA has worked only with EQECAT to secure detailed rate-development and product-development analyses.

In July 2012, the CEA entered into a three-year licensing agreement with EQECAT following the unanimous approval of the Governing Board at its April 2012 meeting.

CEA staff uses EQECAT earthquake-loss-modeling software (called RQE: “Risk Quantification and Engineering”) for regular portfolio analyses and to support new-product development. In fact, CEA staff extensively used the RQE software to develop recently approved rates and expanded product/deductible options, which the CEA will begin offering January 1, 2016.

A three-year license-extension arrangement with EQECAT has been proposed, negotiated, and reduced to contract terms, and the resulting agreement is now presented to the Board for approval.

Analysis:

In keeping with the CEA’s mission and the Board’s express wishes, the CEA has become active in developing innovative products and rating structures that are attractive to consumers. As a case in point, and because the CEA had licensed EQECAT earthquake-loss-modeling software for in-house use, staff was able to create the numerous product, limit, and deductible options that the CEA will begin to offer in January 2016.

As important, with in-house modeling CEA is better situated to design and develop an optimal financial structure: Using the EQECAT model in-house gives CEA a deeper understanding of how modeled-loss events affect claim-paying capacity, enhancing CEA’s ability to monitor exposure growth and assess portfolio changes. This functionality will be

even more important as the CEA continues to expand product offerings and build greater marketing abilities.

Staff has negotiated a three-year contract renewal, to take effect July 15, 2015. The cost of the proposed license-extension were presented to the Board for the CEA budget.

License fee after renewal:

- An annual license fee of \$370,000.
 - The present, expiring annual license fee is \$360,000. Staff feels the < 3% increase in the annual licensing fee is reasonable—significant model updates are required in the next three years, including implementing new earth science from USGS.
 - Fees for model support – installation and training – are unchanged in the renewal.
- For each license year (accomplished by reducing charges within the CEA/EQECAT contract for professional (outside) loss-modeling services), EQECAT will credit CEA up to \$100,000.

Recommendation:

CEA staff recommends that the Governing Board approve CEA's renewing the EQECAT licensing agreement, as described, and authorize CEO Glenn Pomeroy to execute the renewal on the CEA's behalf.

Governing Board Memorandum

March 28, 2015

Agenda Item 12: CEA Mitigation Program:
· Prestandard Project (ATC 110)
· FEMA P50 Verification Project
· Mitigation Research

Recommended Actions: Information only – no action required

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 prestandard¹ 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 standard for the retrofit of existing single-family residential structures. That standard is Appendix Chapter A3 (Chapter A3) of the International Existing Building Code titled *Prescriptive Provisions for Seismic Strengthening of Cripple Walls and Sill Plate Anchorage of Light, Wood-framed Residential Buildings*.

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

Because additional guidelines are needed to create a more seismic 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 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).

¹ 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.

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

Recommendations for Prioritizing Tasks:

Priority Level	Task or Engineering Study	Approximate Timeline
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	

Work on prioritized tasks continues on schedule.

FEMA P-50 Verification Project

Background and Analysis:

Developed after the 1994 Northridge earthquake, FEMA P-50 *Simplified Seismic Assessment Form for Detached, Single-Family, Wood-Frame Dwellings* is an evaluation tool designed to permit home inspectors to evaluate (1) a house's resistance to earthquake damage, based on structural attributes, and (2) how close a house is to earthquake hazards. This assessment can help homeowners identify and reduce structural vulnerabilities, lowering their earthquake risk.

Through the National Earthquake Technical Assistance Program (NETAP), FEMA gives funds to state agencies (such as the California Governor's Office of Emergency Services - CalOES) to provide training on the FEMA P-50 evaluation tool. CEA was instrumental in bringing this training to the California Real Estate Inspection Association's (CREIA) annual conference this year. About 75 home inspectors participated in the training, earning continuing-education units.

Additionally, the American Society of Home Inspectors (ASHI) expressed interest in including a training session at their annual conference in San Deigo. ASHI has also expressed interest in learning more about seismic-vulnerability evaluations, recognizing a potential market for these services outside California.

Mitigation Research Project

Background and Analysis:

The CEA mitigation-research project is intended to accomplish three goals:

1. To permit the CEA to calculate appropriate mitigation-related earthquake-insurance-premium discounts;
2. To support the seismic building code-related guideline-development process; and

3. To inform other strategic mitigation endeavors by the CEA and the California Residential Mitigation Program (the CEA/CalOES joint powers authority).

The first step in the Mitigation Research Project was to use existing modeling programs to determine a mitigation discount to be included with the 2014 rate filing. This was accomplished.

The second step was to issue a Request for Qualifications and Proposal (“RFQ&P”) in order to enter into a contract with one qualifying organization to develop fragility-function-modification factors for use by loss modelers in evaluating raised-foundation homes that have had a cripple-wall and sill-anchorage retrofit.

The RFQ&P was made public in January 2015, and submissions from prospective contractors were received last week. Those submissions were reviewed, and interviews took place on May 12 and May 14.

Governing Board Memorandum

May 28, 2015

Agenda Item 13: Update: California Residential Mitigation Program (EBB)

Recommended Actions: No action required – information only

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. In 2015, EBB plans to do a total of approximately 650 retrofits in seven cities and 26 ZIP Codes.

Northern California

Oakland (100 retrofits): 94609, 94618, 94610, 94602, 94607

San Francisco (75 retrofits): TBD

San Leandro (100 retrofits): 94577, 94578, 94579

Napa (75 retrofits): 94558, 94559

Southern California

Los Angeles (100 retrofits): 90041, 90042, 90031, 90065, 90039, 90026

Pasadena (125 retrofits): 91103, 91105, 91107, 91104, 91106, 91101

Santa Monica (75 retrofits): 90401, 90404

Once accepted into the EBB program, the participant's next step is to select a contractor (unless they are an experienced do-it-yourselfer and will do the work without a contractor) and get a building permit.

- Initially four weeks had been designated to obtain a permit. EBB staff, however, realized that four weeks is not enough time for a homeowner to set up appointments, receive bids, select a contractor, and pull a permit. Therefore, the timeline for this phase was extended to eight weeks and will likely remain so for each subsequent expansion.
- This phase is the biggest hurdle for homeowners to overcome in order to successfully complete their retrofit. To encourage continued participation EBB called all 523 homeowners reminding them about next steps and answering any questions.

These are EBB's 2015 plans and progress (as of May 11, 2015):

Expansion #1: Oakland, San Francisco, San Leandro, Los Angeles, Pasadena, Santa Monica

- Goal: 575 retrofits
- 1734 homeowners qualified
- 44 retrofits completed
- 121 have permits and therefore are likely to complete the work
- Participants may be added from the waiting list, as needed

Expansion #2: Napa

- Goal: 75 retrofits
- 212 qualified homeowners
- April 20 to June 20: Napa participants are currently selecting contractors and securing permits. From the permit-issue date, homeowners have six months to complete the retrofit. All retrofits should be completed by December 20, 2015.

Expansion #3: New participants from Expansion #1 waiting list

- Begins September 2015
- 910 persons are currently on the waiting list

Use of FEMA Funds Planned

On behalf of the California Residential Mitigation Program, the California Earthquake Authority is applying for FEMA's Hazard Mitigation Grant Program (HMGP), to secure federal funds to be used to support retrofitting 100 houses in Napa. From its Earthquake Loss Mitigation Fund, the CEA will provide matching funds in the amount of \$100,000 toward the total project cost of \$400,000.

EBB Program with FEMA's HMGP Funds: 100 retrofits in Napa.

- Submitted initial application-related documents April 30, 2015
- Completed application due May 30, 2015
- EBB will be rolled out in phases, to comply with FEMA rules.
- Retrofit work will begin in 2016

Governing Board Memorandum

May 28, 2015

Agenda Item 14: CEA Mitigation Program: South Napa Earthquake Research Project

Recommended Actions: Governing Board support for funding South Napa Earthquake research project

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—it was the largest to hit California since the 1994 Northridge earthquake. According to *The Press Democrat* (Santa Rosa), the quake killed one person and injured 200, including a young man gravely injured by falling bricks from his home's fireplace.

The South Napa Earthquake research project seeks to compile data on how single-family dwellings performed during the earthquake—no data now exists that would identify seismically retrofitted and non-retrofitted dwelling performance in Napa, Solano, or Sonoma counties.

CEA collaborated with a qualified research consultant in developing the project plan. The consultant developed the survey tool, managed data collection, and has provided preliminary data analysis now under review by CEA.

Phase I:

Phase I of the survey project was an online survey offered February 22–March 15, 2015, to homeowners in the 94558 and 94559 ZIP Codes—primarily the city (and county) of Napa. Available in English and Spanish, homeowners learned of the survey through door hangers and local media. The mayor of Napa recorded a public service announcement for local radio, and both the city and county of Napa advertised the survey on their websites and social media.

Participation was high, with over 633 survey respondents. Of those, 200 qualified for Phase II.

Phase II:

Phase II will involve inspections of up to 50 houses identified by respondents as having been seismically retrofitted before the August 2014 earthquake occurred.

California Real Estate Inspection Association (CREIA) affiliated home inspectors who have completed training in the FEMA P-50 *Simplified Seismic Assessment Form for Detached, Single-Family, Wood-Frame Dwellings* will conduct the inspections in June-July 2015, and a final report is expected in December 2015.

Governing Board Memorandum

May 28, 2015

Agenda Item 15: Staff seeks Governing Board ratification of consulting services contract with California Geological Survey

Recommended Action: Governing Board ratification of consulting services contract for CGS employee Badie Rowshandel

Background:

Since 2007 the CEA has contracted with the California Geological Survey (CGS) for the services of CGS employee Badie Rowshandel, Ph.D., using an “Inter-Jurisdictional Employee Assignment (Loan)” agreement. Dr. Rowshandel has provided the CEA with much needed science and engineering expertise. For example, as the Board was briefed last December, Dr. Rowshandel is playing a central and critical role in the CEA’s current research into quantifying the level of damage prevention from retrofitting cripple walls in significant portions of California’s housing stock.

In recent years the contracting documents for this arrangement were revised to clarify the CEA is a “public instrumentality of the state,” not a state agency. As a result, CGS determined that it cannot engage in an “Inter-Jurisdictional Employee (Loan)” agreement. But both the CEA and the CGS—and Dr. Rowshandel—wish to continue the arrangement of Dr. Rowshandel’s working part-time with the CEA.

As an interim measure and as a result of the event noted above, the CEA and CGS signed a short-term (6-month term; expenditure under \$100,000) “Agreement to Provide Consulting Services” with essentially the same terms; the same allocation of time between CEA and CGS; the same classification as “Senior Materials and Research Engineer”; the same CEA contribution toward Dr. Rowshandel’s salary and benefits; and the same 15% Department of Conservation overhead payment.

This short-term agreement on those terms was within the CEA Chief Executive Officer’s discretion, but it expires on June 30, 2015.

The CEA and CGS have always anticipated extending this arrangement for two and one half years—an annualized cost at that level requires CEA Governing Board approval. The new consulting arrangement can also accommodate CGS’s providing consulting services of other expert CGS employees, if occasionally required.

The funds to support Dr. Rowshandel’s services in 2015 is already in the Board-approved 2015 budget for the Research Department.

Recommendation:

CEA staff recommends that the Governing Board authorize CEO Glenn Pomeroy to negotiate and execute on behalf of the CEA an agreement with the California Geological Survey for consulting services for the term July 1, 2015, through December 31, 2017.

Governing Board Memorandum

May 28, 2015

Agenda Item 16: Progress Report on the 2015 CEA IT Project Portfolio

Recommended Action: No action required – information only

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

May 2015



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			
2015-03	Enterprise Content Management System (ECMS)	Continue 2014 ECMS implementation including records retention and														Compliance	\$ 121,380.00		\$ 121,343.00
2015-04	HR Software Implementation	Implementation of CEA HR system (SilkRoad) selected in 2014														HR	\$ 25,750.00		
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	\$ 136,830.00
2015-13	Social Media Software Implementation	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	\$ 215,190.00		\$ 174,992.58
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	\$ 290,000.00		
																Totals	\$ 652,320.00	\$ 514,680.00	\$ 433,165.58

\$1,167,000.00

2015 Project Portfolio - Scorecard

May 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	Phil Pluckebaum	Not Started	06/01/15	06/01/15	0%	12/31/15	12/31/15	Compliance	\$ -		\$ -
●	●	n/a	●	●	2015-02	Compliance Hotline	Phil Pluckebaum	Not Started	06/01/15	06/01/15	0%	12/31/15	12/31/15	Compliance	\$ -		\$ -
●	●	✓	●	●	2015-03	Enterprise Content Management System (ECMS)	Phil Pluckebaum	Complete	01/12/15	01/12/15	100%	04/12/15	04/12/15	Compliance	\$ 121,380.00		\$ 121,343.00
●	●	✓	●	●	2015-04	HR Software Implementation	Terri Kletzman	Not Started	09/01/15	09/01/15	0%	12/31/15	12/31/15	HR	\$ 25,750.00		\$ -
●	●	n/a	●	●	2015-05	Virtual Desktop Infrastructure (VDI) Implementation	Stephenie Dagata	Active	04/01/15	03/09/15	15%	10/31/15	10/31/15	IT	\$ -		
●	●	✓	●	●	2015-06	Litigation Management System	Phil Pluckebaum	Active	04/13/15	04/16/15	10%	06/30/15	06/30/15	Legal Services	\$ -	\$ 52,920.00	\$ -
●	●	✓	●	●	2015-07	Outside Counsel Management System	Phil Pluckebaum	Active	05/22/15	04/16/15	10%	06/30/15	06/30/15	Legal Services	\$ -	\$ 45,500.00	\$ -
●	●	✓	●	●	2015-08	Develop Agent Interface for Rate Calculator	Phil Pluckebaum	Not Started	06/01/15	06/01/15	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	40%	12/31/15	12/31/15	Marketing	\$ -	\$ 22,580.00	\$ -
●	●	✓	●	●	2015-10	Fault Flyover Map Development	Stephenie Dagata	Not Started	10/01/15	10/01/15	0%	12/31/15	12/31/15	Marketing	\$ -	\$ 35,000.00	\$ -
●	●	✓	●	●	2015-11	Migrate CEA Externally Hosted Websites to Internal	Phil Pluckebaum	Not Started	06/01/15	06/01/15	0%	12/31/15	12/31/15	Marketing	\$ -	\$ 15,260.00	\$ -
●	●	✓	●	●	2015-12	MVP 2015/2016	Phil Pluckebaum	Complete	05/01/14	05/01/14	100%	02/09/15	03/02/15	Marketing	\$ -	\$ 170,240.00	\$ 136,830.00
●	●	✓	●	●	2015-13	Social Media Software Implementation	Stephenie Dagata	Not Started	06/01/15	06/01/15	0%	08/01/15	12/31/15	Marketing	\$ -	\$ 19,600.00	\$ -
●	●	✓	●	●	2015-14	2016 Rate and Form Change	Terri Kletzman	Active	07/01/14	07/01/14	37%	12/31/15	12/31/15	Operations	\$ 215,190.00		\$ 174,992.58
●	●	✓	●	●	2015-15	New Participating Insurer Setup	Terri Kletzman	Active	04/01/15	04/01/15	90%	12/31/15	12/31/15	Operations	\$ -		\$ -
●	●	n/a	●	●	2015-16	Zip Code Management Solution	Terri Kletzman	Not Started	06/01/15	06/01/15	0%	12/31/15	12/31/15	Operations	\$ -		\$ -
●	●	✓	●	●	2015-17	Reinsurance Management System	Phil Pluckebaum	Active	01/12/15	01/12/15	5%	12/31/15	12/31/15	Reinsurance	\$ -	\$ 13,580.00	\$ -
●	●	n/a	●	●	2015-18	CRMP / EBB New Platform	Phil Pluckebaum	Active	01/05/15	01/05/15	85%	03/26/15	05/14/15	CRMP	\$ -	\$ -	\$ -
●	●	✓	●	●	2015-19	EQ Premiums & Coverages App (Android/iOS)	Erin Waters	Not Started	05/01/15	05/01/15	0%	12/31/15	12/31/15	IT	\$ 290,000.00	\$ -	\$ -
															\$652,320	\$514,680	\$433,166
																\$1,167,000	

2015 Project Portfolio - Risk Summary

May 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
2015-14	2016 Rate and Form Change	Resource Risk	This project required considerably more resources than were available.	Hired several external resources to augment staff while we complete this project	Mitigated	5	5	25
2015-14	2016 Rate and Form Change	Operational Risk	Technology changes in infrastructure required to complete the project were large and could have an impact on policy information	Built test environments and had QA team validate them	Mitigated	3	5	15
2015-14	2016 Rate and Form Change	Schedule Risk	Participating Insurer has requested a early submission testing of files.	Utilize QA team and Operations to feed file through technology we have available and bridge any gaps while systems are still being developed	Mitigate	2	2	4
2015-19	EQ Premiums & Coverages App (Android/iOS)	Schedule Risk	3rd party delays	Utilize internal SME's to help with any delays related to knowledge gaps	Mitigate	2	2	4
2015-11	Migrate CEA Externally Hosted Websites to Internal	Resource Risk	Internal resources availability	Accept risk	Accepted	2	5	10

2015 Project Portfolio - Change Summary

May 2015

Portfolio #	Project Name	Description of Change	Reason
2015-01	CEA Policy Review and Implementation in PolicyTech	Project start date changed	Project sponsor chose more appropriate timing based on prioritization and availability. Date changed from 04/01/2015 to 06/01/2015
2015-01	CEA Policy Review and Implementation in PolicyTech	Project Manager assigned	Project Manager was not previously assigned
2015-02	Compliance Hotline	Transferred \$77,980.00 to 2015-14 2016 Rate and Form Change	We needed to fund additional resources for the highest priority CEA project out of a project that has been postponed
2015-02	Compliance Hotline	The resource status light changed from green to N/A	This project will be done with internal resources only
2015-02	Compliance Hotline	Scope change	Minimizing scope to internal solution that didn't require funding
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
2015-03	Enterprise Content Management System (ECMS)	Project completed	Project scope completed, any additional functionality will be assessed in a future project
2015-03	Enterprise Content Management System (ECMS)	The actual budget at completion is \$121,343.00	This project came in under budget from initial budget projections.
2015-04	HR Software Implementation	Project Manager assigned	Project Manager was not previously assigned
2015-04	HR Software Implementation	Target start date changed from 6/1/2015 to 9/1/2015	Rate and Form Change project has taken priority over the resources to be involved on this project
2015-05	Virtual Desktop Infrastructure (VDI) Implementation	Project Manager assigned	Project Manager was not previously assigned
2015-05	Virtual Desktop Infrastructure (VDI) Implementation	Start date changed from 4/1/2015 to 3/9/2015	Internal resources became available sooner than expected
2015-05	Virtual Desktop Infrastructure (VDI) Implementation	Project changed from 'Not Started' to 'Active'	Project started
2015-06	Litigation Management System	Start date changed from 4/13/14 to 4/16/15	Project kicked off on 4/16/2015. 2015-06 Litigation Management System and 2015-07 Outside Counsel Management System were decided to be ran in parallel
2015-06	Litigation Management System	Project changed from 'Not Started' to 'Active'	Project started
2015-06	Litigation Management System	End date changed from 12/31/15 to 6/30/2015	Projects are running in parallel and will be completed at the same time
2015-07	Outside Counsel Management System	Start date changed from 5/22/14 to 4/16/16	Project kicked off on 4/16/2015. 2015-06 Litigation Management System and 2015-07 Outside Counsel Management System were decided to be ran in parallel
2015-07	Outside Counsel Management System	Project changed from 'Not Started' to 'Active'	Project started
2015-07	Outside Counsel Management System	End date changed from 12/31/15 to 6/30/2015	Projects are running in parallel and will be completed at the same time
2015-08	Develop Agent Interface for Rate Calculator	Target Start Date and Start date changed from 4/01/2015 to 6/1/2015	Rate and Form Change project has taken priority over the resources to be involved on this project
2015-08	Develop Agent Interface for Rate Calculator	Project Manager assigned	Project Manager was not previously assigned
2015-10	Fault Flyover Map Development	Target start date changed from 4/1/2015 to 10/1/2015	Rate and Form Change project has taken priority over the resources to be involved on this project
2015-11	Migrate CEA Externally Hosted Websites to Internal	Target start date changed from 4/1/2015 to 6/1/2015	Rate and Form Change project has taken priority over the resources to be involved on this project
2015-11	Migrate CEA Externally Hosted Websites to Internal	Project Manager assigned	Project Manager was not previously assigned
2015-12	MVP 2015/2016	Target end date changed from 2/9/15 to 2/26/15. The Actual End Date was 3/2/15	Additional time required to complete development and testing.
2015-12	MVP 2015/2016	Project is completed	2015 Project scope completed, any additional functionality will be assessed in a future project
2015-12	MVP 2015/2016	The actual project budget at completion is \$136,830.00	We were able to complete this project under budget

2015 Project Portfolio - Change Summary

May 2015

2015-12	MVP 2015/2016	Project Manager changed to Phil Pluckebaum	Workload balancing of resources
2015-13	Social Media Software Implemetation	Target start date changed from 4/1/2015 to 6/1/2015	Sponsor requested start date change
2015-13	Social Media Software Implemetation	Project Manager assigned	Project Manager was not previously assigned
2015-14	2016 Rate and Form Change	Project up to date cost is \$174,992.58	Change recorded and monitored as budget plan vs. budget actuals.
2015-14	2016 Rate and Form Change	Transferred in \$77,980 to project	Project needed funding for additional resources
2015-15	New Participating Insurer Set-up	Changed to Active	Project will start earlier and finish earlier than planned
2015-15	New Participating Insurer Setup	Project changed from 'Not Started' to 'Active'	Project started
2015-15	New Participating Insurer Setup	Project Manager changed to Terri Kletzman	Workload balancing of resources
2015-16	Zip Code Management Solution	Target start date changed from 4/1/2015 to 6/1/2015	Project requires SME's that will not be available until after the Rate and Form Change project
2015-16	Zip Code Management Solution	Project Manager changed to Terri Kletzman	Workload balancing of resources
2015-17	Reinsurance Management System	Project Manager assigned	Project manager was not previously assigned
2015-18	CRMP / EBB New Platform	Project end date changed	Increase to initial scope pushed project end date out. Original end date was 3/26/2015 to 5/14/2015
2015-18	CRMP / EBB New Platform	Project Manager changed to Phil Pluckebaum	Workload balancing of resources
2015-18	CRMP / EBB New Platform	Schedule status light has been changed from yellow to green	The schedule is no longer at risk
2015-18	CRMP / EBB New Platform	The resource status light has changed to N/A	Don't need the external resources to complete this project.
2015-19	EQ Premiums & Coverages App (Android/iOS)	Project Manager changed to Erin Waters	Workload balancing of resources
2015-19	EQ Premiums & Coverages App (Android/iOS)	Target start date changed from 4/1/2015 to 5/1/2015	Dependency on outside vendor contract agreement
2015-19	EQ Premiums & Coverages App (Android/iOS)	The resource status light has changed from N/A to a green light with a ✓	We are using the external resources to complete this project
2015-19	EQ Premiums & Coverages App (Android/iOS)	Transferred in \$290,000 for project resources	Needed outside resources to complete the scope of this project.
Portfolio Change	IT Project Portfolio	Project expenditure up to date is \$433,166.00	Change recorded and monitored as portfolio budget plan vs. budget actuals.

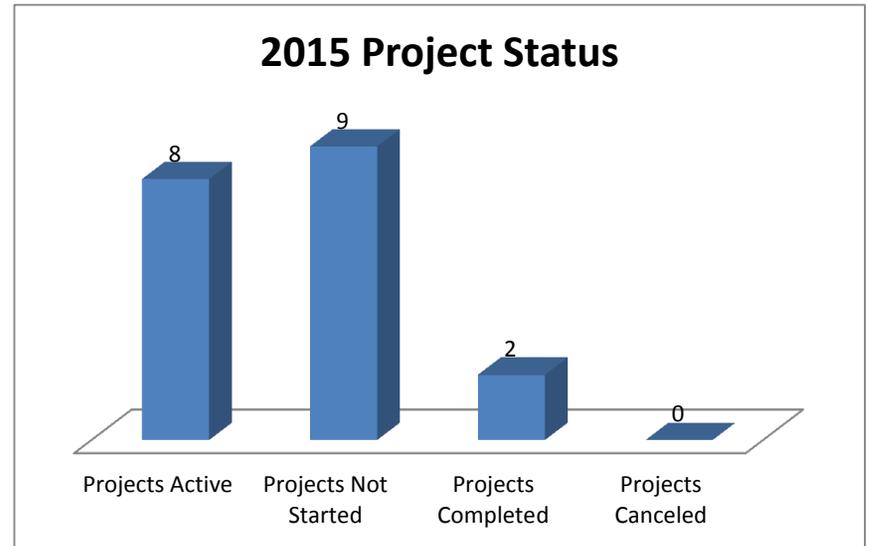
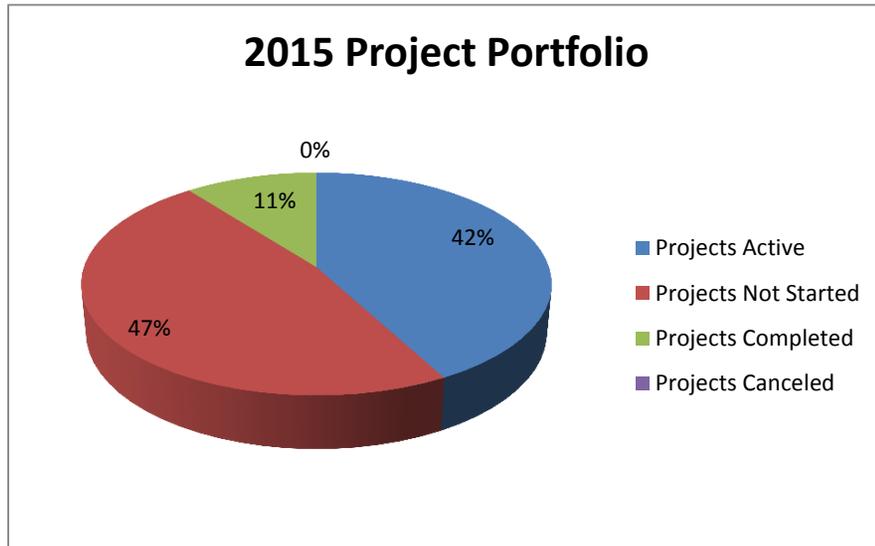
2015 Project Portfolio - Project Dictionary

May 2015

Portfolio #	Project Name	Description
2015-01	CEA Policy Review and Implementation in PolicyTech	IT policy review and implementation within PolicyTech followed by full CEA review.
2015-02	Compliance Hotline	Implement a telephone Hotline for Compliance.
2015-03	Enterprise Content Management System (ECMS)	Continue 2014 ECMS implementation including records retention and management.
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	Design and implement Virtual Desktop Infrastructure (VDI) for CEA remote access.
2015-06	Litigation Management System	Select and implement software services to manage and track Litigation coverage.
2015-07	Outside Counsel Management System	Select and implement software services to manage attorneys and related tasks.
2015-08	Develop Agent Interface for Rate Calculator	Develop rate calculator interface accessible through MVP portal (Agent extranet).
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. Continue 2014 CRM project to implement system selected.
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.
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

May 2015



Active Projects	
2015-05	Virtual Desktop Infrastructure (VDI) Implementation
2015-09	Customer Relationship Management (CRM) System
2015-18	CRMP / EBB New Platform
2015-14	2016 Rate and Form Change
2015-06	Litigation Management System
2015-07	Outside Counsel Management System
2015-17	Reinsurance Management System
2015-15	New Participating Insurer Setup

Planned Projects (Not Started)	
2015-01	CEA Policy Review and Implementation in PolicyTech
2015-02	Compliance Hotline
2015-04	HR Software Implementation
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
2015-16	Zip Code Management Solution
2015-19	EQ Premiums & Coverages App (Android/iOS)

Total 2015 Project Portfolio	
Project Count	19
Projects Active	8
Projects Not Started	9
Projects Completed	2
Projects Canceled	0

Completed Projects	
2015-03	Enterprise Content Management System (ECMS)
2015-12	MVP 2015/2016

Governing Board Memorandum

May 28, 2015

Agenda Item 17: Progress on the concept for centralizing CEA-policy processing

Recommended Action: Approve entering into the HP ExStream software agreement and a related expenditure of \$307,959

Background:

During the December 17, 2014, Governing Board meeting the concept of centralizing the processing of CEA policies was introduced.

Since CEA inception, each participating insurer has been responsible for its own systems that administer and process CEA insurance policies and related claims. Each PI has a different approach and must incur the costs necessary to operate and maintain these systems.

The CEA proposes to centralize many of these system functions to achieve these objectives:

- One system of record for CEA policy information, across all PIs
- Cost reduction through economies of scale
- Minimize impact of CEA policy changes
- Create a standard configurable framework, permitting processing options by PIs
- Built-in data synchronization
- Information visibility and integration
- Use of new technologies and best practices

In September 2014 the CEA formed a Working Group of CEA staff joined by representatives of participating insurers, to collaborate on the concept of Centralized Policy Processing (CPP) and identify the best approach. The Group evaluated solution alternatives by taking the following actions:

- Sent a CPP questionnaire and followed up with PIs to determine the various CEA-policy-processing approaches now in use.
- Issued a software/service vendor Request for Information (RFI) to identify solutions in use in the insurance industry.
- Reviewed the questionnaire responses and RFI feedback and identified possible solutions.
- Developed a Request for Proposals (RFP) for the solution models identified and issued the RFP in February 2015.
- Received 12 vendor responses to the RFP, and evaluated and scored each based on the selection criteria in the RFP.

- Based on the RFP evaluations, the CEA formed a CPP recommendation on March 30, 2015, and shared it with the Working Group on April 30, 2015.

Analysis:

Based on the above, CEA recommends a three-part, software-based solution for CPP, as follows:

- Customer Communications Management System
- CEA Policy Administration and Claim System
- PI Data-Use Agreement

Customer Communications Management System

This part of the CPP solution is used to create large-scale mail and electronic communications as marketing documents, statements, forms, and correspondence. In conjunction with an Administration and Claims System, it would provide centralized output of policy correspondence, statements, declaration pages, and other policy-specific documents.

The system selected through the RFP process is *HP ExStream* from vendor Hewlett-Packard Company (“HP”).

CEA has now worked with HP to define a proof of concept that validates system functionality for the intended CPP use.

- HP successfully executed the proof of concept by demonstrating that CEA’s use of *ExStream* can centrally produce the CEA Mandatory Marketing Document mailings that will be legally required from each PI beginning in 2016.
- CEA then negotiated a software agreement with HP to license and implement the *ExStream* software, and train staff, for a total cost of \$307,959.

Several PIs have already expressed interest in using this part of the CPP solution, at least initially, to satisfy their Mandatory Marketing Document legal requirement.

CEA Policy Administration and Claim System

The CEA Policy Administration and Claim System segment of the CPP solution is software that centralizes functional processing of CEA insurance policies and related claims (not including claim-adjusting).

- Both CEA and PIs would use the system, which would include all functionality for each PI to administer CEA policies—to a full or partial extent, based on PI preference.
- Although the system would house the entire CEA book of business, each PI would be able to access, process, and report only on the policies it issued.

The CEA is conducting technical due diligence with the software vendor to validate the architecture, design, viability, and supportability of the system.

After that due diligence, a functional proof of concept will identify potential gaps in processing requirements for the current CEA earthquake policy and the updated policy on January 1, 2016.

Based on the outcome of the technical due diligence and the functional proof of concept, CEA staff may negotiate with the software vendor and request Board approval for funding and contract execution in a future meeting.

Some PIs have expressed interest in becoming early adopters of this solution, pending successful technical due diligence, functional proof of concept, and Board approval to proceed.

PI Data-Use Agreement

The CEA is in the process of creating a standard agreement for the CEA and each PI to specify terms and conditions of data-sharing.

- Each instance of shared data-use by CEA and a PI would be specified in an addendum to the standard agreement, setting forth the purpose and rules for specific data uses.
- Items that will be included in the PI Data Use Agreement are data security, access, encryption, transport, validation, privacy, term of use, persistency, restrictions, audit, third-party access, backups, data destruction, and regulatory requirements.

Before the CEA can proceed with implementing either the *HP ExStream* Customer Communications Management System or an Administration and Claim System, PI data-use agreements must be in place between the CEA and PIs—data sharing will be essential within those systems, and it must be done in an appropriate and agreed on way.

Recommendation:

CEA staff requests Governing Board approval of the execution of the *HP ExStream* software agreement by CEO Glenn Pomeroy and approval of a related 2015 expenditure in the amount of \$307,959.

Governing Board Memorandum

May 28, 2015

Agenda Item 18: Development of organizational performance metrics

Recommended Action: No action required – information only

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

Governing Board Memorandum

May 28, 2015

Agenda Item 19: Update on CEA's Workforce Plan Project

Recommended Action: No action required – information only

Chief Executive Officer Glenn Pomeroy will update the Governing Board on CEA's Workforce Plan Project.

California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to April 30, 2015

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 April 30, 2015 (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	146,471.18	13,182.41	\$159,653.59
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	84	418,980.16	37,708.22	\$456,688.38
14480	American Canyon	8/24/2014	6.0	4mi NW of American Canyon, CA	188	2,134,465.04	192,101.88	\$2,326,566.92
	2014 Minor Quakes				1	1,500.00	135.00	\$1,635.00
Total					463	\$6,746,617.48	\$586,035.37	\$7,332,652.85

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 4/23/2015 - Policies in Force on: 03/31/2015

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Homeowners							
15% Total	572,355	66.2 %	269,795,605,007	79.1 %	462,400,285	76.4 %	808
10% Total	78,633	9.1 %	39,331,551,871	11.5 %	65,080,836	10.8 %	828
Homeowners Total	650,988	75.3 %	309,127,156,878	90.6 %	527,481,121	87.1 %	810
Homeowners Choice							
15% Total	16,383	1.9 %	9,765,211,632	2.9 %	17,232,191	2.8 %	1,052
10% Total	11,543	1.3 %	6,533,877,529	1.9 %	10,289,523	1.7 %	891
Homeowners Choice Total	27,926	3.2 %	16,299,089,161	4.8 %	27,521,714	4.5 %	986
Manufactured Homes (Mobilehomes)-Homeowners							
15% Total	21,882	2.5 %	2,433,529,666	0.7 %	2,539,179	0.4 %	116
10% Total	4,967	0.6 %	774,893,217	0.2 %	692,992	0.1 %	140
Manufactured Homes (Mobilehomes)-Homeowners Total	26,849	3.1 %	3,208,422,883	0.9 %	3,232,171	0.5 %	120
Manufactured Homes (Mobilehomes)-Homeowners Choice							
15% Total	289	0.0 %	45,763,827	0.0 %	52,469	0.0 %	182
10% Total	357	0.0 %	60,581,966	0.0 %	53,618	0.0 %	150
Manufactured Homes (Mobilehomes)-Homeowners Choice Total	646	0.1 %	106,345,793	0.0 %	106,087	0.0 %	164
Condo Total	105,284	12.2 %	10,349,677,000	3.0 %	40,545,518	6.7 %	385
Renters Total	53,096	6.1 %	2,066,683,500	0.6 %	6,447,300	1.1 %	121
Grand Total	864,789	100.0 %	341,157,375,215	100.0 %	605,333,912	100.0 %	700

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 4/23/2015 - Policies in Force on: 03/31/2015

HOMEOWNERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	572,355	87.9 %	261,486,965,007	84.6 %	431,519,695	81.8 %	754
BCU 20k	77,427	11.9 %	774,270,000	0.3 %	1,289,853	0.2 %	17
Coverage C 25k	34,291	5.3 %	685,820,000	0.2 %	4,899,514	0.9 %	143
Coverage C 50k	21,202	3.3 %	954,090,000	0.3 %	4,938,788	0.9 %	233
Coverage C 75k	9,048	1.4 %	633,360,000	0.2 %	2,647,722	0.5 %	293
Coverage C 100k	34,630	5.3 %	3,289,850,000	1.1 %	12,299,049	2.3 %	355
Coverage D 10k	38,395	5.9 %	326,357,500	0.1 %	962,308	0.2 %	25
Coverage D 15k	62,744	9.6 %	847,044,000	0.3 %	2,324,765	0.4 %	37
Coverage D 25k	33,951	5.2 %	797,848,500	0.3 %	1,518,592	0.3 %	45
15% Total	572,355	87.9 %	269,795,605,007	87.3 %	462,400,285	87.7 %	808
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	78,633	12.1 %	35,350,468,371	11.4 %	52,735,209	10.0 %	671
BCU 20k	24,917	3.8 %	249,170,000	0.1 %	335,012	0.1 %	13
Coverage C 25k	12,364	1.9 %	247,280,000	0.1 %	1,791,400	0.3 %	145
Coverage C 50k	8,732	1.3 %	392,940,000	0.1 %	1,734,693	0.3 %	199
Coverage C 75k	4,016	0.6 %	281,120,000	0.1 %	992,156	0.2 %	247
Coverage C 100k	20,793	3.2 %	1,975,335,000	0.6 %	6,156,915	1.2 %	296
Coverage D 10k	13,796	2.1 %	117,266,000	0.0 %	248,007	0.0 %	18
Coverage D 15k	22,332	3.4 %	301,482,000	0.1 %	582,570	0.1 %	26
Coverage D 25k	17,723	2.7 %	416,490,500	0.1 %	504,874	0.1 %	28
10% Total	78,633	12.1 %	39,331,551,871	12.7 %	65,080,836	12.3 %	828
Homeowners Total	650,988	100.0 %	309,127,156,878	100.0 %	527,481,121	100.0 %	810

California Earthquake Authority

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All Companies - As Of 4/23/2015 - Policies in Force on: 03/31/2015

HOMEOWNERS CHOICE	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k ¹	16,383	58.7 %	9,160,244,132	56.2 %	14,606,035	53.1 %	892
BCU 20k	6,088	21.8 %	60,880,000	0.4 %	112,279	0.4 %	18
Coverage C 25k	2,194	7.9 %	43,880,000	0.3 %	471,759	1.7 %	215
Coverage C 50k	1,629	5.8 %	73,305,000	0.4 %	444,658	1.6 %	273
Coverage C 75k	559	2.0 %	39,130,000	0.2 %	169,905	0.6 %	304
Coverage C 100k	2,252	8.1 %	213,940,000	1.3 %	872,253	3.2 %	387
Coverage D 10k	1,944	7.0 %	16,524,000	0.1 %	80,962	0.3 %	42
Coverage D 15k	1,121	4.0 %	15,133,500	0.1 %	59,195	0.2 %	53
Coverage D 25k	6,050	21.7 %	142,175,000	0.9 %	415,144	1.5 %	69
15% Total	16,383	58.7 %	9,765,211,632	59.9 %	17,232,191	62.6 %	1,052
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k ¹	11,543	41.3 %	5,888,010,029	36.1 %	8,073,800	29.3 %	699
BCU 20k	5,029	18.0 %	50,290,000	0.3 %	73,329	0.3 %	15
Coverage C 25k	2,184	7.8 %	43,680,000	0.3 %	382,758	1.4 %	175
Coverage C 50k	1,857	6.6 %	83,565,000	0.5 %	397,366	1.4 %	214
Coverage C 75k	615	2.2 %	43,050,000	0.3 %	147,737	0.5 %	240
Coverage C 100k	2,847	10.2 %	270,465,000	1.7 %	886,563	3.2 %	311
Coverage D 10k	1,946	7.0 %	16,541,000	0.1 %	53,826	0.2 %	28
Coverage D 15k	975	3.5 %	13,162,500	0.1 %	34,586	0.1 %	35
Coverage D 25k	5,324	19.1 %	125,114,000	0.8 %	239,558	0.9 %	45
10% Total	11,543	41.3 %	6,533,877,529	40.1 %	10,289,523	37.4 %	891
Homeowners Choice Total	27,926	100.0 %	16,299,089,161	100.0 %	27,521,714	100.0 %	986

¹Includes policies with Coverage A, C and D, Coverage A and C, Coverage A and D, and Coverage A only

California Earthquake Authority

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All Companies - As Of 4/23/2015 - Policies in Force on: 03/31/2015

MANUFACTURED HOMES (MOBILEHOMES)- HOMEOWNERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	21,882	81.5 %	2,230,338,166	69.5 %	2,415,726	74.7 %	110
Coverage C 25k	1,668	6.2 %	33,360,000	1.0 %	37,791	1.2 %	23
Coverage C 50k	1,083	4.0 %	48,735,000	1.5 %	35,886	1.1 %	33
Coverage C 75k	349	1.3 %	24,430,000	0.8 %	13,044	0.4 %	37
Coverage C 100k	510	1.9 %	48,450,000	1.5 %	21,086	0.7 %	41
Coverage D 10k	1,511	5.6 %	12,843,500	0.4 %	5,530	0.2 %	4
Coverage D 15k	1,252	4.7 %	16,902,000	0.5 %	5,723	0.2 %	5
Coverage D 25k	786	2.9 %	18,471,000	0.6 %	4,393	0.1 %	6
15% Total	21,882	81.5 %	2,433,529,666	75.8 %	2,539,179	78.6 %	116
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	4,967	18.5 %	550,293,217	17.2 %	595,916	18.4 %	120
Coverage C 25k	1,603	6.0 %	32,060,000	1.0 %	27,174	0.8 %	17
Coverage C 50k	1,165	4.3 %	52,425,000	1.6 %	26,149	0.8 %	22
Coverage C 75k	393	1.5 %	27,510,000	0.9 %	12,027	0.4 %	31
Coverage C 100k	593	2.2 %	56,335,000	1.8 %	19,304	0.6 %	33
Coverage D 10k	1,357	5.1 %	11,534,500	0.4 %	3,412	0.1 %	3
Coverage D 15k	1,244	4.6 %	16,794,000	0.5 %	4,142	0.1 %	3
Coverage D 25k	1,189	4.4 %	27,941,500	0.9 %	4,867	0.2 %	4
10% Total	4,967	18.5 %	774,893,217	24.2 %	692,992	21.4 %	140
Manufactured Homes (Mobilehomes)-Homeowners Total	26,849	100.0 %	3,208,422,883	100.0 %	3,232,171	100.0 %	120

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MANUFACTURED HOMES (MOBILEHOMES)- HOMEOWNERS CHOICE	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k ¹	289	44.7 %	34,987,827	32.9 %	42,705	40.3 %	148
Coverage C 25k	68	10.5 %	1,360,000	1.3 %	2,453	2.3 %	36
Coverage C 50k	59	9.1 %	2,655,000	2.5 %	3,318	3.1 %	56
Coverage C 75k	19	2.9 %	1,330,000	1.3 %	1,010	1.0 %	53
Coverage C 100k	22	3.4 %	2,090,000	2.0 %	965	0.9 %	44
Coverage D 10k	41	6.3 %	348,500	0.3 %	351	0.3 %	9
Coverage D 15k	18	2.8 %	243,000	0.2 %	173	0.2 %	10
Coverage D 25k	117	18.1 %	2,749,500	2.6 %	1,493	1.4 %	13
15% Total	289	44.7 %	45,763,827	43.0 %	52,469	49.5 %	182
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k ¹	357	55.3 %	42,872,466	40.3 %	43,354	40.9 %	121
Coverage C 25k	131	20.3 %	2,620,000	2.5 %	3,321	3.1 %	25
Coverage C 50k	93	14.4 %	4,185,000	3.9 %	2,761	2.6 %	30
Coverage C 75k	25	3.9 %	1,750,000	1.6 %	677	0.6 %	27
Coverage C 100k	38	5.9 %	3,610,000	3.4 %	1,269	1.2 %	33
Coverage D 10k	73	11.3 %	620,500	0.6 %	563	0.5 %	8
Coverage D 15k	34	5.3 %	459,000	0.4 %	215	0.2 %	6
Coverage D 25k	190	29.4 %	4,465,000	4.2 %	1,458	1.4 %	8
10% Total	357	55.3 %	60,581,966	57.0 %	53,618	50.5 %	150
Manufactured Homes (Mobilehomes)-Homeowners Choice Total	646	100.0 %	106,345,793	100.0 %	106,087	100.0 %	164

¹Includes policies with Coverage A, C and D, Coverage A and C, Coverage A and D, and Coverage A only

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All Companies - As Of 4/23/2015 - Policies in Force on: 03/31/2015

CONDO	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage A/BCU 10k	79,445	75.5 %	2,779,910,000	26.9 %	8,371,900	20.6 %	105
Coverage C 5k/D 1.5k	32,539	30.9 %	211,503,500	2.0 %	2,314,706	5.7 %	71
Coverage C 5k ¹	11,592	11.0 %	57,875,000	0.6 %	714,993	1.8 %	62
Coverage C 25k	16,138	15.3 %	403,450,000	3.9 %	1,826,667	4.5 %	113
Coverage C 50k	12,851	12.2 %	642,550,000	6.2 %	1,600,243	3.9 %	125
Coverage C 75k	5,562	5.3 %	417,150,000	4.0 %	743,251	1.8 %	134
Coverage C 100k	12,484	11.9 %	1,248,400,000	12.1 %	1,721,889	4.2 %	138
Coverage D 1.5k ²	7,236	6.9 %	10,828,500	0.1 %	93,634	0.2 %	13
Coverage D 10k	14,018	13.3 %	140,180,000	1.4 %	358,086	0.9 %	26
Coverage D 15k	21,527	20.4 %	322,905,000	3.1 %	586,665	1.4 %	27
Coverage D 25k	15,846	15.1 %	396,150,000	3.8 %	440,283	1.1 %	28
Coverage E 25k	3,462	3.3 %	85,875,000	0.8 %	758,048	1.9 %	219
Coverage E 50k	58,681	55.7 %	2,934,050,000	28.3 %	17,432,117	43.0 %	297
Coverage E 75k	9,318	8.9 %	698,850,000	6.8 %	3,583,037	8.8 %	385
Condo Total	105,284	100.0 %	10,349,677,000	100.0 %	40,545,518	100.0 %	385

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

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

California Earthquake Authority

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All Companies - As Of 4/23/2015 - Policies in Force on: 03/31/2015

RENTERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage C 5k/D 1.5k	20,111	37.9 %	130,721,500	6.3 %	1,453,911	22.6 %	72
Coverage C 5k ¹	4,043	7.6 %	20,215,000	1.0 %	282,467	4.4 %	70
Coverage C 25k	13,636	25.7 %	340,900,000	16.5 %	1,693,322	26.3 %	124
Coverage C 50k	7,839	14.8 %	391,950,000	19.0 %	1,064,052	16.5 %	136
Coverage C 75k	2,357	4.4 %	176,775,000	8.6 %	342,060	5.3 %	145
Coverage C 100k	5,110	9.6 %	511,000,000	24.7 %	727,339	11.3 %	142
Coverage D 1.5k ²	5,288	10.0 %	7,932,000	0.4 %	72,118	1.1 %	14
Coverage D 10k	8,557	16.1 %	85,570,000	4.1 %	241,035	3.7 %	28
Coverage D 15k	7,688	14.5 %	115,320,000	5.6 %	227,140	3.5 %	30
Coverage D 25k	11,452	21.6 %	286,300,000	13.9 %	343,856	5.3 %	30
Renters Total	53,096	100.0 %	2,066,683,500	100.0 %	6,447,300	100.0 %	121

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

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



CEA GOVERNING BOARD MEETING DATES FOR - 2015

February 19, 2015 – Thursday

April 8, 2015 – Wednesday - ADDED

~~May 21, 2015 – Thursday~~ – RESCHEDULED for ~~May 28, 2015 - Thursday~~

August 27, 2014 – Thursday

December 17, 2015 - Thursday

CEA ADVISORY PANEL MEETING DATES FOR - 2015

~~January 22, 2015 – Thursday~~ – Cancelled

April 23, 2015 – Thursday

July 23, 2015 – Thursday

October 22, 2015 – Thursday

[IMPORTANT NOTE: *This schedule is for future meetings that have been proposed and approved by the respective bodies named. Meeting dates, times, and locations are subject to change. The final dates, times, and locations will be announced on official Public Notice, issued by the CEA 10 or more days before the date of the meeting. Public Notices are also posted on the CEA Web site www.EarthquakeAuthority.com]*