



Date of Notice: Friday, January 12, 2018

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 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: California Department of Food and Agriculture*
Auditorium, Room 130
1220 N Street
Sacramento, California

DATE: Thursday, January 25, 2018

TIME: 10:00 a.m.

* Because of facility limitations at this location, this Governing Board meeting will not be available as audio or video on the Internet.

AGENDA:

1. Call to order and member roll call:

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

Establishment of a quorum

2. Executive Report to the Governing Board by Chief Executive Officer Glenn Pomeroy, which will include an update for the Board on legislative activities of interest to the CEA, including a potential legislative initiative to strengthen CEA's insuring capacity and establish resiliency initiatives.
3. On behalf of the CEA executive staff, Chief Actuary Shawna Ackerman will present to the Board, for its consideration and approval, proposed modifications to the CEA-earthquake-insurance rating plan, policy forms, and coverages.
4. 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.
5. Public comment on matters that do not appear on this agenda and requests by the public that those matters be placed on a future agenda.
6. Adjournment.

For further information about this notice or its contents:

General Information:

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To view this notice on the CEA website or to learn more about the CEA, please visit
www.EarthquakeAuthority.com.

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 Carlos Martinez by telephone, toll free, at (877) 797-4300 or by email at cmartinez@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

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 cmartinez@calquake.com.

Governing Board Memorandum

January 25, 2018

Agenda Item 2: 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, which will include an update on legislative activities of interest to the CEA, including a potential legislative initiative to strengthen CEA's insuring capacity and establish resiliency initiatives.

Governing Board Memorandum

January 25, 2018

Agenda Item 3: Proposed CEA Rate and Form Application/Filing

Recommended Action: Approve the rate and form applications and accept their supporting documents; instruct staff to submit the rate and form applications with required supporting documentation to the Insurance Commissioner for consideration and approval

Background:

1. Introduction

CEA staff seeks Governing Board approval to submit an application to the Insurance Commissioner, seeking regulatory approval of new CEA premium rates for all CEA earthquake-insurance products. The filing is made to improve policy language and adjust rate and premiums levels.

In addition, staff proposes that CEA publish and implement revised versions of all CEA insurance-policy forms. Because CEA insurance policy forms must be submitted to the Insurance Commissioner for review and approval before CEA (and participating insurers) may use them, staff seeks Board authorization to submit the revised policy forms to the Commissioner.

The application proposes:

- a 0.4% increase in CEA's statewide average rates;
- an enhanced "hazard mitigation discount" to be applied to qualifying CEA homeowners policies;
- imposing certain additional rating factors and adding new rating territories; and
- publishing and implementing new editions of each of the CEA's insurance-policy forms, incorporating refinements in coverages, definitions, and other policy language.

The overall rate increase is modest, but rate and premium changes at individual policy levels can be significant. For that reason, CEA staff proposes that CEA seek a three-year phase-in approach. At the fully implemented rate level (as of the end of year three):

- more than 55 percent of CEA's policyholders will see their rates decrease by more than 10 percent, and another 20 percent will see stable or slightly lower rates; and
- about 20 percent of CEA's policyholders will see a rate increase of more than 10 percent.

All proposed changes would be implemented for new and renewal policies effective January 1, 2019, and after.

In the sections below:

- Section 2 describes the proposed coverage changes.
- Section 3 addresses the proposed rate changes.
- Section 4 lists and describes supporting attachments.

Analysis:

2. Proposed coverage changes

There are proposed changes in each revised policy form. Many of the changes are not particularly substantive but clarify or modernize CEA policy forms.

The most significant changes are:

Proposed revisions to CEA Homeowners Choice Policy:

- Revise Homeowners Choice Personal Property Coverage deductible options:
 - The HO Choice Personal Property deductible percentage must be less than or equal to the HO Choice Dwelling deductible percentage (which may be 5%, 10%, 15%, 20%, or 25%).

3. Proposed rate changes

A. Loss-modeling factors that underlie proposed rate/premium changes

The proposed rate application is based on staff's thorough analysis of the CEA's June 30, 2017, portfolio using the product, *RQE* ("*Risk Quantification and Engineering*"), *Version 17*. This catastrophe-loss model, developed by CoreLogic (formerly EQECAT), permits the CEA to propose rates that incorporate the latest available scientific information, consistent with the state-of-the-art knowledge of California seismic hazard, as required by the CEA law.

The seismic hazard in the RQE model was developed directly from the July 2014 USGS model, the (time-dependent) Uniform California Earthquake Rupture Forecast (UCERF3-TD) model and the ground motion prediction equations from the Next Generation Attenuation (NGA-West2) research.

- The vulnerability portion of the RQE model is largely unchanged from prior model versions (exceptions: (1) adding age of construction for manufactured homes and (2) one additional age-of-construction category for homeowners policies).
- The financial module is unchanged from prior versions.

Consistent with rate impacts of implementing prior model updates, the resulting rate indications can be significantly different among various portions of CEA’s portfolio, particularly at the base-rate (territory) level.

- For example, CEA previously observed similar individual-territory rate impacts to this in its July 1, 2006, rate-change (CDI File #05-6848). At that time—and at CDI’s request—CEA implemented the larger changes over three years.
- Similarly now, CEA proposes to implement the current rate indication over three years, by capping base-rate increases at 15% (or one-third of the indicated change, whichever is larger).
- The effects of this proposed three-year phase-in, measured for each year (relative to current rate levels), may be summarized as follows:

CEA Policy Type	Year 1	Year 2	Year 3
Homeowners	-2.8%	0.5%	2.1%
Manufactured Homes (Mobilehomes)	-10.1%	-5.2%	-2.1%
Condominium Unit owners	-16.9%	-15.4%	-14.4%
Renters	-20.8%	-19.9%	-19.8%
Overall	-4.2%	-1.1%	0.4%

B. Rate Classification Plan Changes

CEA would introduce with this filing:

- roof-type as a rating factor for CEA homeowners policies,
- a new year-of-construction category (houses built after 2004 or “post-2004”), and
- adjusting rating territory definitions.

Staff proposes that CEA eliminate accepting—for rating purposes—a “self-verified” home retrofit, a claim of which has historically supported providing the policyholder with the lowest available hazard reduction discount for CEA homeowners policies: 5%. Since that move would require that all discounts be supported by professionally verified retrofits, staff is working to expand the list of persons who can verify a code-compliant retrofit, to include trained home inspectors.

- When CEA introduced the verified-discount method in January 2016, the then-current 5% hazard-reduction discount was retained, to allow policyholders sufficient time to obtain a contractor, engineer, or design professional in order to complete the required verification form and thereby the higher, verified discount.
- Before January 2016, 41% of policyholders with qualifying houses (based on foundation-type and type and age of construction) had secured a 5% hazard reduction discount through self-verification. But by June 30, 2017, that percentage had grown to 75%.

In addition, the proposed filing would expand eligibility for the verified hazard reduction discount to include 1979 construction as well as other foundation types.

- Current eligibility is limited to pre-1979 wood-frame construction on a raised foundation.
- The change is proposed for two reasons.
 - Cities throughout California adopted the Uniform Building Code, 1976 edition, from 1977 into 1979—there was no uniform date of adoption. That means that the current CEA criterion of “pre-1979” construction leaves one year-of-construction in the CEA rating-factor age group “1960–1979” ineligible for a verified hazard reduction discount.
 - Older houses with the rating-factor foundation-type “other” (e.g., a combination slab/raised foundation) actually have a seismic vulnerability that is similar to a raised foundation, and therefore that house with an “other”-category foundation can be appropriately retrofitted. For example, the California Residential Mitigation Program provides retrofit grants to both raised and combination foundations.
- Staff proposes that CEA increase levels of discount offered for a verified retrofit to a CEA-insured house with a raised foundation.
 - Staff does not know at this time how many CEA policyholders will take steps to verify their retrofits. For purposes of calculating the present proposed overall rate-change for dwellings, staff has assumed that no additional policyholders will verify.
 - But to the extent such policyholders do take steps to verify and thereby receive the larger discount, the overall rate-change would drop.

Staff proposes a new year-of-construction rating factor for manufactured homes (mobilehomes).

Staff-proposed changes to rating-territory definitions would apply to all CEA policy-types.

4. Schedule of attachments:

Name	Description
Attachment A	Proposed Rate and Form Application
Attachment A-01	Proposed CEA Rate Manual - Narrative
Attachment A-02	Proposed CEA Rate Manual
Attachment A-03	Current CEA Rate Manual – unedited
Attachment A-04	Proposed Basic Earthquake Policy – Homeowners – BEQ3-B (01/2019) - Narrative
Attachment A-05	Current Basic Earthquake Policy – Homeowners – BEQ-3B

Name	Description
	(01/2016) – unedited
Attachment A-06	Current Basic Earthquake Policy – Homeowners – BEQ-3B (01/2016) – including edits for comparison purposes
Attachment A-07	Proposed Basic Earthquake Policy – Homeowners – BEQ3-B (01/2019)
Attachment A-08	Proposed Basic Earthquake Policy – Homeowners Choice – BEQ-3C (01/2019) - Narrative
Attachment A-09	Current Basic Earthquake Policy – Homeowners Choice – BEQ-3C (01/2016) – unedited
Attachment A-10	Current Basic Earthquake Policy – Homeowners Choice – BEQ-3C (01/2016) – including edits for comparison purposes
Attachment A-11	Proposed Basic Earthquake Policy – Homeowners Choice – BEQ-3C (01/2019)
Attachment A-12	Proposed Basic Earthquake Policy – Common Interest Development – BEQ-6B (01/2019) - Narrative
Attachment A-13	Current Basic Earthquake Policy – Common Interest Development – BEQ-6B (01/2016) – unedited
Attachment A-14	Current Basic Earthquake Policy – Common Interest Development – BEQ-6B (01/2016) – including edits for comparison purposes
Attachment A-15	Proposed Basic Earthquake Policy – Common Interest Development – BEQ-6B (01/2019)
Attachment A-16	Proposed Basic Earthquake Policy – Renters – BEQ-4B (01/2019) - Narrative
Attachment A-17	Current Basic Earthquake Policy – Renters – BEQ-4B (01/2016) – unedited
Attachment A-18	Current Basic Earthquake Policy – Renters – BEQ-4B (01/2016) – including edits for comparison purposes
Attachment A-19	Proposed Basic Earthquake Policy – Renters – BEQ-4B (01/2019)
Attachment A-20	Proposed CEA Earthquake Insurance Application – Homeowner (01/2019)
Attachment A-21	Proposed CEA Earthquake Insurance Application – Condominium (01/2019)
Attachment A-22	Proposed CEA Earthquake Insurance Application – Mobilehome owner (01/2019)
Attachment A-23	Proposed CEA Earthquake Insurance Application – Renters (01/2019)
Attachment A-24	Current CEA Insurance Applications (01/2016) – unedited
Attachment A-25	Proposed CEA Earthquake Insurance Application Instructions (01/2019)
Attachment A-26	Current CEA Insurance Application Instructions (01/2016) – including edits for comparison purposes
Attachment A-27	Current CEA Insurance Application Instructions (01/2016) –

Name	Description
	unedited
Attachment A-28	Current CEA Earthquake Insurance Dwelling Retrofit Form – CEADRV (09/2016) - unedited
Attachment A-29	Current CEA Earthquake Insurance Dwelling Retrofit Form – CEADRV (09/2016) including edits for comparison purposes
Attachment A-30	Proposed CEA Earthquake Insurance Dwelling Retrofit Form – CEADRV (01/2019)
Attachment A-31	Proposed California Earthquake Authority Availability of Hazard-Reduction Premium Discount Form – CEA 02S (01/2019)
Attachment A-32	Current California Earthquake Authority Availability of Hazard-Reduction Premium Discount Form – CEA 02S (01/2016) – including edits for comparison purposes
Attachment A-33	Current California Earthquake Authority Availability of Hazard-Reduction Premium Discount Form – CEA 02S (01/2016) – unedited
Attachment A-34	Current CEA Inspection Guidelines (01/2016) - unedited
Attachment A-35	Current CEA Inspection Guidelines (01/2016) – including edits for comparison purposes
Attachment A-36	Proposed CEA Inspection Guidelines (01/2019)
Attachment B	Illustration of impact on policyholders’ annual premiums and rates

Recommended Actions:

CEA staff recommends that the Governing Board:

1. Approve the proposed rate-and-form application, including the new CEA Rate Manual, the revised CEA Earthquake Insurance Application, and a new edition of each of the CEA’s residential earthquake insurance policy forms; and
2. Authorize CEA staff to submit the complete application and attachments to the Insurance Commissioner for consideration and approval.

CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE
FILING MEMORANDUM

I. INTRODUCTION

This filing is submitted to adjust rate and premiums levels. The change in rates and premiums reflects the results of incorporating the latest available science into the CoreLogic RQE (Risk Quantification and Engineering) model used to analyze CEA's June 30, 2017 portfolio. CEA also proposes minor adjustments to policy forms.

Section II describes the proposed coverage form updates. Section III summarizes the proposed rate and premium changes. Section IV provides a brief overview of the supporting exhibits.

II. PROPOSED POLICY AND FORM UPDATES

As indicated on page 9 of the prior approval application, revised policy forms and applications are contained herein. In addition, a revised retrofit verification form (CEADRV) along with a revised notice of the availability of the hazard reduction is also submitted. Immediately preceding each form is a brief narrative of the proposed changes. The changes are intended to clarify coverage, neither restricting or broadening coverage.

III. SUMMARY OF RATE / PREMIUM CHANGES

The proposed rate and premium changes are based on an analysis of the CEA's June 30, 2017 portfolio using *RQE (Risk Quantification & Engineering), Version 17* which was released in July 2017.

This catastrophe loss model, developed by CoreLogic (formerly EQECAT), incorporates the latest available scientific information consistent with the state-of-the-art knowledge of California seismic hazard, as required by the CEA enabling legislation. The seismic hazard in the model was directly developed from the July 2014 USGS model, the time-dependent Uniform California Earthquake Rupture Forecast (UCERF3-TD) model and the ground motion prediction equations from the Next Generation Attenuation (NGA-West2) research. The vulnerability portion of the model is unchanged from prior model versions with the exception of adding age of construction for manufactured homes and one additional age of construction category for homeowners. The financial module is unchanged from prior versions.

As with prior model updates, the resulting rate indications are significantly different, particularly at the base rate (territory) level. For example, CEA previously observed this with its July 1, 2006 rate change (CDI File #05-6848) and, at the CDI's request, implemented the larger changes over a three-year period. CEA proposes to implement the current rate indication over a three-year period by capping base rate changes at 15% or one-third of the indicated change, whichever is larger. The cumulative effects of the proposed phase-in for each year are summarized as follows:

Policy Type	Year 1	Year 2	Year 3
Homeowners	-2.8%	0.5%	2.1%
Manufactured Homes (Mobilehomes)	-10.1%	-5.2%	-2.1%
Condominium Unitowners	-16.9%	-15.4%	-14.4%
Renters	-20.8%	-19.9%	-19.8%
Overall	-4.2%	-1.1%	0.4%

To obtain the most accurate modeled estimate of earthquake losses, every CEA policy is modeled at the specific site location (i.e., geocoded based on the street address of the risk) along with the relevant building characteristics that are collected by the CEA and used in rating the policies.

The specific building characteristics used in the model to estimate losses for homeowners are as follows:

1. Construction type
2. Year built
3. Number of stories
4. Roof type
5. Foundation type
6. Masonry veneer

The information for homeowners exposures is complete for items 1 – 4 and coded as reported. Foundation type is available from the CEA application and includes slab, raised and other. For both foundation types, raised and other, the application has additional information including whether there are cripple walls (yes, no), if the cripple walls are braced in accordance with the California building code, (braced, unbraced, not applicable) and if the foundation is bolted (yes, no.) Specific retrofitting measures, by definition, apply only to pre-1980 wood-frame construction on a raised foundation. Of that subset of policies, only those with retrofit features that have submitted the CEA – DRV (discount reduction verification form) with appropriate verification are coded as reported (i.e., braced, if applicable, and bolted.) All other policies that cover pre-1980 wood-frame construction on a raised or other foundation type are coded as reported except where a cripple wall is indicated as braced, it is ignored. As is discussed below, the CEA proposes to remove the self-verified hazard reduction discount. Masonry veneer is coded only on those policies that have selected masonry veneer coverage.

For manufactured homes (mobilehomes) CEA uses the age of construction and the presence of bracing systems. Verification of the earthquake resistant bracing system has been required since the mitigation discount was first implemented by the CEA in 2006. The exposure information for manufactured homes (mobilehomes) exposures is complete.

For condominiums and renters, the location is the only classification factor. As noted above, all CEA policies are geocoded and modeled at the risk's street address.

Rate Classification Plan Changes

With this filing, the CEA is introducing roof type as a rating factor for homeowners, adding a new year of construction category (post-2004) and adjusting rating territory definitions. CEA proposes to eliminate the self-verified hazard reduction discount and is working to expand the list of professionals who can verify a code-compliant retrofit to include trained home inspectors. When the verified discount was introduced in January 2016, CEA chose to “grandfather” the then-current 5% hazard reduction discount to allow policyholders time to complete the necessary verification form and obtain the higher verified discount. Prior to January 2016 approximately 41% of those who could qualify (based on type/age of construction and foundation type) had the 5% hazard reduction discount. For the June 30, 2017 portfolio that number has grown to 75%.

Additionally, this filing proposes to expand eligibility for the verified hazard reduction discount to include 1979 wood-frame construction and other foundation types. Currently, eligibility is limited to pre-1979 wood-frame construction on a raised foundation. The change is proposed for two reasons. First, cities throughout California adopted the Uniform Building Code 1976 edition throughout 1977 and into 1979. Thus, the current cut-off of “pre-1979” leaves a single year of construction in the CEA age group 1960 – 1979 as ineligible for a verified hazard reduction discount. Second, older homes constructed with “other” types of foundations (i.e., combination foundations) have similar vulnerability to a raised foundation and can be retrofitted. For example, the California Residential Mitigation Program provides grants for retrofits to both raised and combination foundations. Finally, CEA proposes to increase the verified hazard reduction discount for raised foundations and extend a verified hazard reduction discount to foundation type “other” as shown on Exhibit 15, page 8. Since CEA does not know how many policyholders will verify their retrofits, the overall rate change for dwellings is calculated assuming that no additional policyholders will verify. To the extent policyholders do verify and receive the greater discount, the overall rate change will be reduced.

CEA is also introducing year of construction as a rating factor for manufactured homes (mobilehomes.)

The proposed changes to rating territory definitions apply to all policy types.

IV. OVERVIEW OF SUPPORTING EXHIBITS

Although the CEA is not subject to the prior approval regulations, the CEA has, for ease of review, completed the exhibits requested in the prior approval rate filing application consistent with past practice because of the CDI’s request. The key exhibits for the development of the CEA rates and premiums are as follows:

EXHIBIT 5 – Premium Trend Factor

Trend is affected by exposure growth and changes in the distribution. Prior to 2016, the CEA distribution was relatively stable. The January 1, 2016 rate filing introduced many changes including increased coverage limit options and additional deductible options. Since January 2016, CEA policy sales have increased at unprecedented levels. For this reason, the selected trend relies on shorter-term selections.

Because there is no frequency trend associated with earthquakes; the severity trend is equal to the total expected increase in exposure and the change in the distribution as measured by the premium trend. The trends calculated in Exhibit 5 also function as the loss trend resulting in a 0% net trend assumption for the ratemaking process. Consequently, Exhibit 8 in the Standard Exhibit Template is blank. Exhibit 7 of the Standard Exhibit Template is also blank as the modeled losses upon which the rate development relies are at ultimate.

Regarding the Standard Exhibit Template, Exhibit 5, please note that no selection has been made on the exhibit as this exhibit does not appropriately reflect CEA trends. It allows only for a premium trend per exposure selection whereas, as noted above, CEA trend is a function of exposure growth in addition to changes in the distribution as measured by the premium trend per exposure.

EXHIBIT 12 – Reinsurance Premium and Recoverable

The CEA uses a net ratemaking approach wherein the net cost of risk financing (risk financing premiums less the expected recoveries) is included in the rate development. Exhibit 12 details the expected limits, premiums and recoverables.

EXHIBIT 14 – Rate Distribution

All policies in force June 30, 2017 were rated using the current and proposed rates and rating structure to calculate impacts by rating component and overall.

EXHIBIT 15 – Rate Classification Relativities

Current, indicated and proposed base rates, increased limits relativities and deductible relativities are displayed for each policy type and coverage in this exhibit as well as the rate classification relativities for homeowners and manufactured homes (mobilehomes.) Proposed base rates for each year for the three-year phase-in are also presented.

Proposed base rates by rating territory are shown in Exhibit 15 for each coverage. There are seven notable changes from the CEA's current territory structure.

1. San Diego county and the southern portion of Orange county have been moved out of the current Territory 27 and into a new territory - Territory 1. As Exhibit 15 shows, this area has a similar but lower loss cost than Territory 27. This difference combined with the fact that there are a significant number of policies in the region are the motivating factors for proposing the change.
2. A new Territory 3 is proposed which is comprised of the remainder of Orange County. This was previously part of Territory 7. As Exhibit 15 shows, this area has a lower loss cost than Territory 7.
3. The current Territory 4 which is comprised of 4 ZIP codes in Riverside county has been combined with Territory 8. The motivating factor for this change is simply that the Territory is geographically small and contains few policies.

4. A new Territory 16 is proposed which is created from the eastern portion of San Luis Obispo and Monterey counties (currently in Territory 18) and extending into the westernmost portions of Kern, Kings and Fresno counties (currently part of Territory 27.) Exhibit 15 shows this area has significantly higher loss costs than both Territory 18 and 27. Those in the newly proposed Territory 16 will see substantial increases in rate levels. As noted above, CEA proposes to implement the full rate change over three years to ease the impact of the significant rate increase on policyholders. For current and new policyholders in Territory 16 the base rate change is capped at one-third of the indicated change each year. Exhibit 20 – Customer Dislocation has additional exhibits showing the effects of the proposed phase-in specifically for Territory 16.
5. A new Territory 21 is proposed which is created from the easternmost portions of San Francisco county created from the existing Territory 22. As Exhibit 15 shows, this area has a lower loss cost than Territory 22.
6. A new Territory 28 is proposed which is Del Norte county and portions of Humboldt and Trinity counties all of which are currently in Territory 27. Exhibit 15 shows this area has significantly higher loss costs than Territory 27. Those in the newly proposed Territory 28 will see substantial increases in rate levels. Like Territory 16, CEA proposes to phase-in the full rate change over three years by capping the base rate change at one-third of the indicated change each year. Exhibit 20 – Customer Dislocation has additional exhibits showing the effects of the proposed phase-in specifically for Territory 28.
7. Currently, condominium unitowners and renters coverages are rated using a grouped territory approach, i.e., the territories used for homeowners and manufactured homes (mobilehomes) are grouped into three large rating territories. CEA proposes to eliminate the groupings and rate condominium unitowners and renters using the same territory definitions as are used for homeowners and manufactured homes (mobilehomes.) While some territories do have few - and in one case, no - condominium or renters policies, the overall policy count is sufficiently large to move away from the historical grouped approach.

As noted above, the CEA is introducing a new rating factor - roof type - for homeowners policies, eliminating the self-verified hazard reduction discount and expanding the number of rate classes for year of construction and territory. CEA is also introducing year built for manufactured homes (mobilehomes) coverages.

EXHIBIT 20 – Customer Dislocation

This exhibit displays histograms of the rate impact on an overall basis as well as for each policy type - homeowners, manufactured homes (mobilehomes), condominium unit owners and renters. Additionally, for those areas where CEA is proposing a phased-in base rate change there are exhibits further detailing the impacts.

EXHIBIT 21 – Insurer’s Ratemaking Calculations

CEA is using this exhibit space to present the development of the indicated rate change. The slight difference in the indication (0.5%) versus the selection (0.4%) is due to rounding.

Proposed policy forms

The current policies and the proposed policies are included in the submission. Immediately preceding the policies is a summary overview of the changes.

Proposed rate manual

The submission includes a new CEA Rate manual. An overview of the changes to the manual is included immediately preceding the proposed rate manual. We are proposing to implement the above-mentioned changes effective 1/1/2019 upon approval.

**CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE**

EXHIBIT 1 - FILING HISTORY

<u>Filing Number</u>	<u>Date Filed</u>	<u>Product</u>
15-53	1/17/2015	All

EXHIBIT 2 - RATE LEVEL HISTORY

<u>Filing Number</u>	<u>Effective Date</u>	<u>Product</u>	<u>Rate Change</u>
15-53	1/1/2016	All (Standard & Choice)	-10.0%
11-2233	7/1/2012	HO Choice	New coverage
11-2233	1/1/2012	Standard	-12.5%

EXHIBIT 3 - POLICY TERM DISTRIBUTION

The policy term for all policies is one year.

EXHIBIT 4 - PREMIUM ADJUSTMENT FACTOR

The rates are developed using a pure premium methodology. Consequently, historical premium is not part of the rate development calculations. Premium adjustment factors are not applicable.

**CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE**

PREMIUM TREND FACTOR

Calendar YYQ	Quarterly Data				Rolling 4-Quarter Data			
	Written Exposures	Written Premium	On-Level Premium	On-Level WP per Exp.	Written Exposures	Written Premium	On-Level Premium	On-Level WP per Exposure
20111	62,069,063,068	128,046,169	100,082,429					
20112	79,977,685,195	164,619,745	127,929,917					
20113	80,109,903,878	164,121,727	127,522,431					
20114	73,577,209,222	149,722,911	115,647,549	1.57	295,733,861,363	606,510,552	471,182,326	1.59
20121	65,358,925,505	117,498,969	105,921,700	1.62	299,023,723,800	595,963,352	477,021,597	1.60
20122	84,145,375,877	150,664,986	135,078,807	1.61	303,191,414,482	582,008,593	484,170,487	1.60
20123	85,097,636,504	151,363,010	136,286,480	1.60	308,179,147,108	569,249,876	492,934,536	1.60
20124	77,899,642,609	137,290,747	123,615,996	1.59	312,501,580,495	556,817,712	500,902,983	1.60
20131	67,190,802,631	120,118,865	108,020,354	1.61	314,333,457,621	559,437,608	503,001,637	1.60
20132	86,313,073,140	153,845,122	137,670,272	1.60	316,501,154,884	562,617,744	505,593,102	1.60
20133	87,180,533,918	154,795,056	138,911,115	1.59	318,584,052,298	566,049,790	508,217,737	1.60
20134	79,852,355,551	140,575,404	126,138,877	1.58	320,536,765,240	569,334,447	510,740,618	1.59
20141	69,766,032,508	124,548,530	111,771,644	1.60	323,111,995,117	573,764,112	514,491,908	1.59
20142	90,922,344,299	161,808,818	144,512,656	1.59	327,721,266,276	581,727,808	521,334,292	1.59
20143	92,880,637,426	164,535,650	147,321,513	1.59	333,421,369,784	591,468,402	529,744,690	1.59
20144	84,846,887,278	149,513,522	133,719,658	1.58	338,415,901,511	600,406,520	537,325,471	1.59
20151	73,273,744,674	131,007,002	118,017,279	1.61	341,923,613,677	606,864,992	543,571,106	1.59
20152	95,945,768,928	170,936,133	153,257,612	1.60	346,947,038,306	615,992,307	552,316,062	1.59
20153	97,385,110,884	172,970,924	155,518,726	1.60	351,451,511,764	624,427,581	560,513,275	1.59
20154	89,808,301,712	157,569,130	141,707,920	1.58	356,412,926,198	632,483,189	568,501,537	1.60
20161	77,868,039,940	123,736,478	123,736,478	1.59	361,007,221,464	625,212,665	574,220,736	1.59
20162	103,468,446,889	163,768,300	163,768,300	1.58	368,529,899,425	618,044,832	584,731,424	1.59
20163	104,911,856,024	165,582,489	165,582,489	1.58	376,056,644,565	610,656,397	594,795,187	1.58
20164	101,442,114,959	156,697,234	156,697,234	1.54	387,690,457,812	609,784,501	609,784,501	1.57
20171	88,084,106,644	140,071,370	140,071,370	1.59	397,906,524,516	626,119,393	626,119,393	1.57
20172	112,769,245,821	178,430,433	178,430,433	1.58	407,207,323,448	640,781,526	640,781,526	1.57
20173	124,357,529,785	193,107,152	193,107,152	1.55	426,652,997,209	668,306,189	668,306,189	1.57
4-point					0.132			-0.005
8-point					0.106			-0.010
12-point					0.084			-0.006
16-point					0.073			-0.004
20-point					0.063			-0.004
24-point					0.058			-0.003
Selected					0.09			-0.01
Effective Date		1/1/2019						
Modeled Portfolio Run Date		6/30/2017						
Trend Period		2.50						
Exposure Growth		1.241						
Premium Growth		0.975						
Trend Factor		1.210						
Annual combined trend		7.9%						

**CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE**

MISCELLANEOUS FEES AND OTHER CHARGES

	2014	2015	2016
1. Installment Fee Income (A.S., page 4, line 13)	409,526	403,893	401,210
2. Earned Premium	592,857,587	618,575,351	628,381,599
3. Miscellaneous Fees % of Premium (1) / (2)	0.07%	0.07%	0.06%

**CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE**

EXHIBIT 7 - LOSS AND DEFENSE AND COST CONTAINMENT (DCCE) DEVELOPMENT FACTORS

The modeled losses used to develop the rate indication are ultimate losses. Therefore, the loss development factors are 1.00.

Loss adjustment expenses are paid by the participating insurance companies per contract at 9% of loss. Therefore, the LAE development factors are also 1.00.

EXHIBIT 8 - LOSS AND DCCE TREND

There is no expected loss or DCCE trend associated with this program other than the trend associated with changes in coverage selections and policy growth. Thus loss and DCCE trend factors and premium trend factors are the same, i.e., net trend is 0%.

EXHIBIT 9 - CATASTROPHE ADJUSTMENT

This is a catastrophe line. Average annual losses have been modeled using CoreLogic RQE Version 17 as described in the Filing Memorandum.

EXHIBIT 10 - CREDIBILITY ADJUSTMENT

Full credibility is given to the modeled average annual losses.

EXHIBIT 11 - ANCILLARY INCOME

There is no ancillary income as defined in the CDI rate filing instructions.

**CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE**

EXHIBIT 12 - REINSURANCE PREMIUM AND RECOVERABLES

RISK FINANCING COSTS
(Thousands)

(1) Target Claims Paying Capacity	18,309,964
(2) CEA Capital	5,804,000
(3) Revenue Bonds	680,000
(4) 2nd Industry Assessment Layer	1,655,586
(5) New Industry Assessment Layer	-
(6) Total Risk Transfer Needed	10,170,378
(7) Rate on Line	4.37%
(8) Risk Transfer Premium	444,487
(9) Expected Recoveries	223,520
(10) Brokerage Expenses	2,800
(11) Net Cost	223,767

Notes:

- (1) Target total claims paying capacity
- (2) Estimated CEA Capital assuming no losses occur
- (3) Estimated Revenue Bonds value assuming no losses occur
- (4) Current value of 2nd IAL, assumes no losses occur and no reduction
- (5) Estimated value of New IAL, assumes no losses occur
- (6) $= (1) - \text{SUM}[(2) - (5)]$
- (7) $= (8) / (6)$
- (8) Expected cost of reinsurance and risk financing contracts, using November 2017 program to estimate costs.
- (9) Expected recoveries based on modeled losses, risk financing attachment level and limit
- (10) Broker fees paid in addition to risk transfer premium based on contractual agreements
- (11) $= (8) - (9) + (10)$

**CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE**

REQUEST FOR VARIANCE

CEA is not subject to the prior approval regulations. Therefore variances are not applicable.

**CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE**

RATE DISTRIBUTION

	Dwelling	Manufactured Homes (mobilehomes)	Condominiums	Renters	Overall
Year 1					
Base Rates	-14.5%	-7.3%	-18.3%	-22.3%	-14.9%
Stories	-0.1%				-0.1%
Construction / Age* / Foundation	7.8%	-2.7%			7.0%
Hazard Reduction Discount	1.2%	0.1%			1.1%
Roof Type	2.9%				2.6%
Increased Limits Factors	1.1%	0.8%	2.9%	8.0%	1.3%
Deductible Factors	0.5%	-1.7%	-1.1%	-5.3%	0.3%
Overall	-2.8%	-10.1%	-16.9%	-20.8%	-4.2%

	Dwelling	Manufactured Homes (mobilehomes)	Condominiums	Renters	Overall
Year 2					
Base Rates	-11.6%	-2.2%	-16.8%	-21.5%	-12.1%
Stories	-0.1%				-0.1%
Construction / Age* / Foundation	7.8%	-2.7%			7.0%
Hazard Reduction Discount	1.2%	0.1%			1.1%
Roof Type	2.9%				2.6%
Increased Limits Factors	1.1%	0.8%	2.9%	8.0%	1.3%
Deductible Factors	0.5%	-1.7%	-1.1%	-5.3%	0.3%
Overall (Cumulative)	0.5%	-5.2%	-15.4%	-19.9%	-1.1%

	Dwelling	Manufactured Homes (mobilehomes)	Condominiums	Renters	Overall
Year 3					
Base Rates	-10.2%	1.1%	-15.8%	-21.3%	-10.7%
Stories	-0.1%				-0.1%
Construction / Age* / Foundation	7.8%	-2.7%			7.0%
Hazard Reduction Discount	1.2%	0.1%			1.1%
Roof Type	2.9%				2.6%
Increased Limits Factors	1.1%	0.8%	2.9%	8.0%	1.3%
Deductible Factors	0.5%	-1.7%	-1.1%	-5.3%	0.3%
Overall (Cumulative)	2.1%	-2.1%	-14.4%	-19.8%	0.4%

All impacts are measured by rating each policy from the 6/30/2017 portfolio replacing current with proposed rates and rating factors for each year. As noted above, the year 2 and year 3 impacts are cumulative rather than incremental. Thus, the impacts by rating element are the same for each year with the exception of the base rates which change each year of the proposed three year phase-in.

*Age only for manufactured homes (mobilehomes.)

**CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE**

RATE CLASSIFICATION RELATIVITIES

Current, indicated and proposed base rates and rate classification relativities are detailed in the subsequent exhibits.

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
HOMEOWNER DWELLINGS
COVERAGE A - 15% DEDUCTIBLE

<u>Territory</u>	<u>Current</u>	<u>Indicated</u>	<u>Selected Rate per \$1,000</u>			<u>Overall</u>
	<u>Rate per \$1,000</u>	<u>Rate per \$1,000</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Change</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7) (6) / (2) - 1.0
1	0.42	0.26	0.26	0.26	0.26	-38.5%
2	3.88	3.55	3.55	3.55	3.55	-8.5%
3	1.42	1.19	1.19	1.19	1.19	-16.0%
5	2.46	3.51	2.83	3.20	3.51	42.5%
6	2.02	1.86	1.86	1.86	1.86	-8.1%
7	1.55	1.33	1.33	1.33	1.33	-14.4%
8	2.12	1.25	1.25	1.25	1.25	-41.1%
11	2.08	1.82	1.82	1.82	1.82	-12.5%
12	1.88	1.34	1.34	1.34	1.34	-28.5%
13	1.27	0.74	0.74	0.74	0.74	-41.7%
15	1.37	1.11	1.11	1.11	1.11	-19.0%
16	0.40	2.28	1.03	1.66	2.28	464.9%
18	0.52	0.34	0.34	0.34	0.34	-34.7%
19	1.36	1.51	1.51	1.51	1.51	11.2%
20	2.06	2.54	2.36	2.54	2.54	23.6%
21	2.62	2.05	2.05	2.05	2.05	-21.8%
22	2.53	3.48	2.91	3.29	3.48	37.7%
23	1.96	1.18	1.18	1.18	1.18	-39.9%
24	1.48	1.12	1.12	1.12	1.12	-24.5%
25	1.65	2.45	1.92	2.19	2.45	48.6%
26	1.84	2.21	2.11	2.21	2.21	20.2%
27	0.45	0.29	0.29	0.29	0.29	-35.3%
28	0.45	1.11	0.67	0.89	1.11	147.6%

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
HOMEOWNER DWELLINGS
STANDARD COVERAGE C - \$5,000, 15% DEDUCTIBLE

<u>Territory</u> (1)	<u>Current</u> <u>Rate per policy</u> (2)	<u>Indicated</u> <u>Rate per policy</u> (3)	<u>Selected Rate per Policy</u>			<u>Percentage</u> <u>Change</u> (6) / (2) - 1.0 (7)	<u>Premium</u> <u>Change</u> (6) - (2) (8)
			<u>Year 1</u> (4)	<u>Year 2</u> (5)	<u>Year 3</u> (6)		
1	11.19	5.57	6.00	6.00	6.00	-46.4%	(5.19)
2	98.01	75.22	75.00	75.00	75.00	-23.5%	(23.01)
3	36.66	25.28	25.00	25.00	25.00	-31.8%	(11.66)
5	62.55	74.36	72.00	74.00	74.00	18.3%	11.45
6	51.64	39.42	39.00	39.00	39.00	-24.5%	(12.64)
7	39.96	28.13	28.00	28.00	28.00	-29.9%	(11.96)
8	54.62	26.52	27.00	27.00	27.00	-50.6%	(27.62)
11	52.34	38.52	39.00	39.00	39.00	-25.5%	(13.34)
12	47.45	28.41	28.00	28.00	28.00	-41.0%	(19.45)
13	32.00	15.77	16.00	16.00	16.00	-50.0%	(16.00)
15	35.00	23.52	24.00	24.00	24.00	-31.4%	(11.00)
16	10.50	48.29	23.00	35.00	48.00	357.0%	37.50
18	13.82	7.13	7.00	7.00	7.00	-49.4%	(6.82)
19	34.46	31.89	32.00	32.00	32.00	-7.1%	(2.46)
20	53.81	53.92	54.00	54.00	54.00	0.4%	0.19
21	66.00	43.37	43.00	43.00	43.00	-34.8%	(23.00)
22	64.57	73.68	74.00	74.00	74.00	14.6%	9.43
23	49.18	25.08	25.00	25.00	25.00	-49.2%	(24.18)
24	37.84	23.64	24.00	24.00	24.00	-36.6%	(13.84)
25	41.94	51.84	48.00	52.00	52.00	24.0%	10.06
26	47.07	46.82	47.00	47.00	47.00	-0.2%	(0.07)
27	11.73	6.16	6.00	6.00	6.00	-48.8%	(5.73)
28	10.00	23.52	15.00	20.00	24.00	140.0%	14.00

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
HOMEOWNER DWELLINGS
CHOICE COVERAGE C - \$5,000, 15% DEDUCTIBLE

<u>Territory</u>	<u>Current</u> <u>Rate per policy</u>	<u>Indicated</u> <u>Rate per policy</u>	<u>Selected Rate per Policy</u>			<u>Overall</u> <u>Percentage</u>	<u>Premium</u>
			<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Change</u>	<u>Change</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(6) / (2) - 1.0	(6) - (2)
1	59.29	22.24	22.00	22.00	22.00	-62.9%	(37.29)
2	259.72	300.05	299.00	300.00	300.00	15.5%	40.28
3	121.75	100.83	101.00	101.00	101.00	-17.0%	(20.75)
5	191.87	296.62	227.00	262.00	297.00	54.8%	105.13
6	172.01	157.24	157.00	157.00	157.00	-8.7%	(15.01)
7	130.65	112.21	112.00	112.00	112.00	-14.3%	(18.65)
8	173.83	105.78	106.00	106.00	106.00	-39.0%	(67.83)
11	152.73	153.64	154.00	154.00	154.00	0.8%	1.27
12	157.82	113.34	113.00	113.00	113.00	-28.4%	(44.82)
13	146.00	62.91	63.00	63.00	63.00	-56.8%	(83.00)
15	99.00	93.81	94.00	94.00	94.00	-5.1%	(5.00)
16	56.53	192.61	102.00	147.00	193.00	241.4%	136.47
18	61.87	28.44	28.00	28.00	28.00	-54.7%	(33.87)
19	130.47	127.20	127.00	127.00	127.00	-2.7%	(3.47)
20	156.45	215.07	180.00	203.00	215.00	37.4%	58.55
21	166.00	172.98	173.00	173.00	173.00	4.2%	7.00
22	165.60	293.91	208.00	251.00	294.00	77.5%	128.40
23	135.16	100.04	100.00	100.00	100.00	-26.0%	(35.16)
24	122.60	94.28	94.00	94.00	94.00	-23.3%	(28.60)
25	74.96	206.78	119.00	163.00	207.00	176.1%	132.04
26	140.23	186.75	161.00	182.00	187.00	33.3%	46.77
27	61.08	24.59	25.00	25.00	25.00	-59.1%	(36.08)
28	56.00	93.84	69.00	82.00	94.00	67.9%	38.00

CALIFORNIA EARTHQUAKE AUTHORITY

**RATE CLASSIFICATION RELATIVITIES
HOMEOWNER DWELLINGS
COVERAGE D - \$1,500**

<u>Territory</u> (1)	<u>Current</u> <u>Rate per policy</u> (2)	<u>Indicated</u> <u>Rate per policy</u> (3)	<u>Selected Rate per Policy</u>			<u>Overall</u>	
			<u>Year 1</u> (4)	<u>Year 2</u> (5)	<u>Year 3</u> (6)	<u>Percentage</u> <u>Change</u> (7) (6) / (2) - 1.0	<u>Premium</u> <u>Change</u> (8) (6) - (2)
1	10.58	4.08	4.00	4.00	4.00	-62.2%	(6.58)
2	37.69	55.01	43.00	49.00	55.00	45.9%	17.31
3	18.89	18.49	18.00	18.00	18.00	-4.7%	(0.89)
5	31.28	54.39	39.00	47.00	54.00	72.6%	22.72
6	30.82	28.83	29.00	29.00	29.00	-5.9%	(1.82)
7	20.24	20.57	21.00	21.00	21.00	3.8%	0.76
8	30.12	19.40	19.00	19.00	19.00	-36.9%	(11.12)
11	25.68	28.17	28.00	28.00	28.00	9.0%	2.32
12	26.95	20.78	21.00	21.00	21.00	-22.1%	(5.95)
13	27.00	11.53	12.00	12.00	12.00	-55.6%	(15.00)
15	18.00	17.20	17.00	17.00	17.00	-5.6%	(1.00)
16	10.25	35.32	19.00	27.00	35.00	241.4%	24.75
18	11.69	5.21	5.00	5.00	5.00	-57.2%	(6.69)
19	23.43	23.32	23.00	23.00	23.00	-1.8%	(0.43)
20	24.33	39.43	29.00	34.00	39.00	60.3%	14.67
21	24.00	31.72	28.00	32.00	32.00	33.3%	8.00
22	24.17	53.89	34.00	44.00	54.00	123.4%	29.83
23	21.20	18.34	18.00	18.00	18.00	-15.1%	(3.20)
24	18.31	17.29	17.00	17.00	17.00	-7.1%	(1.31)
25	12.00	37.91	21.00	30.00	38.00	216.8%	26.00
26	21.66	34.24	26.00	30.00	34.00	56.9%	12.34
27	10.89	4.51	5.00	5.00	5.00	-54.1%	(5.89)
28	10.00	17.21	12.00	14.00	17.00	70.0%	7.00

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
HOMEOWNER DWELLINGS
BUILDING CODE UPGRADE COVERAGE - \$20,000

<u>Territory</u> (1)	<u>Current</u> <u>Rate per policy</u> (2)	<u>Indicated</u> <u>Rate per policy</u> (3)	<u>Selected Rate per Policy</u>			<u>Overall</u>	
			<u>Year 1</u> (4)	<u>Year 2</u> (5)	<u>Year 3</u> (6)	<u>Percentage</u> <u>Change</u> (7) (6) / (2) - 1.0	<u>Premium</u> <u>Change</u> (8) (6) - (2)
1	4.51	3.17	3.00	3.00	3.00	-33.5%	(1.51)
2	43.56	42.80	43.00	43.00	43.00	-1.3%	(0.56)
3	15.55	14.38	14.00	14.00	14.00	-10.0%	(1.55)
5	27.00	42.32	32.00	37.00	42.00	55.6%	15.00
6	21.85	22.43	22.00	22.00	22.00	0.7%	0.15
7	17.00	16.01	16.00	16.00	16.00	-5.9%	(1.00)
8	23.21	15.09	15.00	15.00	15.00	-35.4%	(8.21)
11	22.72	21.92	22.00	22.00	22.00	-3.2%	(0.72)
12	20.23	16.17	16.00	16.00	16.00	-20.9%	(4.23)
13	14.00	8.97	9.00	9.00	9.00	-35.7%	(5.00)
15	16.00	13.38	13.00	13.00	13.00	-18.8%	(3.00)
16	4.25	27.48	12.00	20.00	27.00	535.4%	22.75
18	5.82	4.06	4.00	4.00	4.00	-31.3%	(1.82)
19	14.43	18.15	17.00	18.00	18.00	24.7%	3.57
20	24.91	30.68	29.00	31.00	31.00	24.5%	6.09
21	31.00	24.68	25.00	25.00	25.00	-19.4%	(6.00)
22	30.25	41.93	35.00	40.00	42.00	38.8%	11.75
23	23.29	14.27	14.00	14.00	14.00	-39.9%	(9.29)
24	17.31	13.45	13.00	13.00	13.00	-24.9%	(4.31)
25	18.97	29.50	22.00	25.00	29.00	52.9%	10.03
26	20.66	26.64	24.00	27.00	27.00	30.7%	6.34
27	4.75	3.51	4.00	4.00	4.00	-15.8%	(0.75)
28	4.00	13.39	7.00	10.00	13.00	225.0%	9.00

CALIFORNIA EARTHQUAKE AUTHORITY

RATE CLASSIFICATION RELATIVITIES

HOMEOWNER DWELLINGS

<u>Number of Stories</u> (1)	STORIES			<u>Change</u> (5)
	<u>Current Relativity</u> (2)	<u>Indicated Relativity</u> (3)	<u>Selected Relativity</u> (4)	
One-Story	0.91	0.89	0.89	-2.2%
Greater than One-Story	1.09	1.11	1.11	1.8%

CONSTRUCTION / AGE / FOUNDATION

<u>Construction / Age / Foundation</u> (1)	<u>Current Relativity</u> (2)	<u>Indicated Relativity</u> (3)	<u>Selected Relativity</u> (4)	<u>Change</u> (5)
Frame Pre-1940, Slab	1.250	1.090	1.09	-12.8%
Frame Pre-1940, Raised	1.563	1.470	1.47	-6.0%
Frame Pre-1940, Other	1.250	1.310	1.28	2.4%
Frame 1940-1959, Slab	0.950	0.950	0.95	0.0%
Frame 1940-1959, Raised	1.188	1.210	1.21	1.9%
Frame 1940-1959, Other	0.950	1.160	1.08	13.7%
Frame 1960-1979, Slab	1.080	1.240	1.24	14.8%
Frame 1960-1979, Raised	1.200	1.580	1.58	31.7%
Frame 1960-1979, Other	1.080	1.550	1.41	30.6%
Frame 1980-1989	0.800	0.890	0.89	11.3%
Frame 1990 - 2004	0.650	0.720	0.72	10.8%
Post-2004	0.650	0.610	0.61	-6.2%
Other Construction	1.900	2.280	2.28	20.0%

Note: The selections for foundation type "Other" are lower than the indication. The selections are based on the average of the slab and raised selections in order to recognize that foundation type "Other" represents a combination foundation and should be less than raised and more than slab.

CALIFORNIA EARTHQUAKE AUTHORITY

RATE CLASSIFICATION RELATIVITIES

HOMEOWNER DWELLINGS

HAZARD REDUCTION DISCOUNT RATING FACTORS

<u>Construction / Age</u> <u>Foundation</u> (1)	<u>Current</u> <u>Relativity</u> (2)	<u>Indicated</u> <u>Relativity</u> (3)	<u>Selected</u> <u>Relativity</u> (4)	<u>Change</u> (5)
Frame Pre-1940, Raised, Verified	0.80	0.74	0.75	-6.3%
Frame Pre-1940, Raised, Self-verified	0.95	1.00	1.00	5.3%
Frame Pre-1940, Other, Verified	1.00	0.85	0.85	-15.0%
Frame 1940-1959, Raised, Verified	0.80	0.79	0.80	0.0%
Frame 1940-1959, Raised, Self-verified	0.95	1.00	1.00	5.3%
Frame 1940-1959, Other	1.00	0.88	0.90	-10.0%
Frame 1960-1979, Raised, Verified	0.90	0.78	0.80	-11.1%
Frame 1960-1979, Raised, Self-verified	0.95	1.00	1.00	5.3%
Frame 1960-1979, Other, Verified	1.00	0.88	0.90	-10.0%
All Other	1.00	1.00	1.00	0.0%

Note: A hazard reduction discount is available to pre-1980 frame homes on a raised or other foundation provided the home has a secured (bolted) foundation, braced cripple walls, if any, and a strapped water heater in accordance with applicable building codes and that such state is verified. The indicated relativity above is the relationship between the slab home of a similar vintage. The selection is made such that a qualifying home will have a similar rate as the same vintage home on a slab foundation. As shown above, the 5% self-verified credit is discontinued.

ROOF TYPE

<u>Roof Type</u> (1)	<u>Current</u> <u>Relativity</u> (2)	<u>Indicated</u> <u>Relativity</u> (3)	<u>Selected</u> <u>Relativity</u> (4)	<u>Change</u> (5)
Tile / Slate	1.00	1.12	1.12	12.0%
All Other	1.00	0.99	0.99	-1.0%

CALIFORNIA EARTHQUAKE AUTHORITY

RATE CLASSIFICATION RELATIVITIES

HOMEOWNER DWELLINGS

DEDUCTIBLE FACTORS

<u>Coverages A & BCU</u>	<u>Current Relativity</u>	<u>Indicated Relativity</u>	<u>Selected Relativity</u>	<u>Selected Change</u>
(1)	(2)	(3)	(4)	(5)
5%	1.81	1.89	1.89	4.4%
10%	1.33	1.37	1.37	3.0%
15%	1.00	1.00	1.00	0.0%
20%	0.81	0.80	0.80	-1.2%
25%	0.67	0.65	0.65	-3.0%

<u>Coverage C Standard</u>	<u>Current Relativity</u>	<u>Indicated Relativity</u>	<u>Selected Relativity</u>	<u>Selected Change</u>
(1)	(2)	(3)	(4)	(5)
5%	1.81	1.75	1.75	-3.3%
10%	1.33	1.30	1.30	-2.3%
15%	1.00	1.00	1.00	0.0%
20%	0.81	0.83	0.83	2.5%
25%	0.67	0.69	0.69	3.0%

Note: Coverage D is provided with no deductible.

CALIFORNIA EARTHQUAKE AUTHORITY

RATE CLASSIFICATION RELATIVITIES

HOMEOWNER DWELLINGS

ADDITIONAL LIMITS

<u>Coverage C</u> <u>Standard</u>	<u>Current</u> <u>Relativity</u>	<u>Indicated</u> <u>Relativity</u>	<u>Selected</u> <u>Relativity</u>	<u>Selected</u> <u>Change</u>
(1)	(2)	(3)	(4)	(5)
5,000	1.00	1.00	1.00	0.0%
25,000	2.40	3.80	3.80	58.3%
50,000	4.15	5.81	5.81	40.0%
75,000	5.30	6.96	6.96	31.3%
100,000	6.67	7.52	7.52	12.7%
150,000	6.93	8.16	8.16	17.7%
200,000	7.45	8.41	8.41	12.9%

ADDITIONAL LIMITS

<u>Coverage D</u>	<u>Current</u> <u>Relativity</u>	<u>Indicated</u> <u>Relativity</u>	<u>Selected</u> <u>Relativity</u>	<u>Selected</u> <u>Change</u>
(1)	(2)	(3)	(4)	(5)
1,500	1.00	1.00	1.00	0.0%
10,000	2.71	2.93	2.93	8.1%
15,000	3.49	3.51	3.51	0.6%
25,000	4.27	4.21	4.21	-1.4%
100,000	6.31	5.97	5.97	-5.4%
150,000	7.67	6.92	6.92	-9.8%
200,000	9.12	7.74	7.74	-15.1%

CALIFORNIA EARTHQUAKE AUTHORITY

RATE CLASSIFICATION RELATIVITIES

**HOMEOWNER DWELLINGS
ADDITIONAL LIMITS / DEDUCTIBLE**

<u>Coverage C</u>		<u>Indicated Relativity</u>						
<u>CHOICE</u>	5,000	25,000	50,000	75,000	100,000	150,000	200,000	
5%	1.09	2.64	3.39	3.71	4.07	4.34	4.47	
10%	1.04	2.35	2.92	3.08	3.24	3.36	3.67	
15%	1.00	2.15	2.58	2.71	2.81	2.85	2.93	
20%	0.96	1.98	2.30	2.35	2.45	2.56	2.67	
25%	0.93	1.84	2.07	2.10	2.14	2.23	2.25	

<u>Coverage C</u>		<u>Selected Relativity</u>						
<u>CHOICE</u>	5,000	25,000	50,000	75,000	100,000	150,000	200,000	
5%	1.09	2.64	3.39	3.71	4.07	4.34	4.47	
10%	1.04	2.35	2.92	3.08	3.24	3.36	3.67	
15%	1.00	2.15	2.58	2.71	2.81	2.85	2.93	
20%	0.96	1.98	2.30	2.35	2.45	2.56	2.67	
25%	0.93	1.84	2.07	2.10	2.14	2.23	2.25	

<u>Coverage C</u>		<u>Current Relativity</u>						
<u>CHOICE</u>	5,000	25,000	50,000	75,000	100,000	150,000	200,000	
5%	1.08	2.55	3.39	3.98	4.48	5.15	5.76	
10%	1.04	2.29	2.92	3.34	3.68	4.10	4.48	
15%	1.00	2.08	2.57	2.86	3.11	3.37	3.62	
20%	0.97	1.91	2.28	2.49	2.67	2.83	3.00	
25%	0.94	1.76	2.04	2.19	2.32	2.42	2.52	

<u>Coverage C</u>		<u>Selected Change</u>						
<u>CHOICE</u>	5,000	25,000	50,000	75,000	100,000	150,000	200,000	
5%	0.9%	3.5%	0.0%	-6.8%	-9.2%	-15.7%	-22.4%	
10%	0.0%	2.6%	0.0%	-7.8%	-12.0%	-18.0%	-18.1%	
15%	0.0%	3.4%	0.4%	-5.2%	-9.6%	-15.4%	-19.1%	
20%	-1.0%	3.7%	0.9%	-5.6%	-8.2%	-9.5%	-11.0%	
25%	-1.1%	4.5%	1.5%	-4.1%	-7.8%	-7.9%	-10.7%	

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
MANUFACTURED HOMES (MOBILEHOMES)
COVERAGE A - 15% DEDUCTIBLE

<u>Territory</u>	<u>Current</u>	<u>Indicated</u>	<u>Selected Rate per \$1,000</u>			<u>Overall</u>
	<u>Rate per \$1,000</u>	<u>Rate per \$1,000</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Change</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7) (6) / (2) - 1.0
1	0.44	0.27	0.27	0.27	0.27	-38.4%
2	2.61	3.05	3.00	3.05	3.05	17.0%
3	1.31	2.12	1.58	1.85	2.12	62.0%
5	2.32	2.61	2.61	2.61	2.61	12.3%
6	2.05	2.18	2.18	2.18	2.18	6.1%
7	1.33	1.49	1.49	1.49	1.49	12.3%
8	2.12	1.40	1.40	1.40	1.40	-33.9%
11	2.12	1.61	1.61	1.61	1.61	-24.0%
12	1.91	1.34	1.34	1.34	1.34	-29.9%
13	1.11	0.67	0.67	0.67	0.67	-39.6%
15	1.14	0.95	0.95	0.95	0.95	-16.7%
16	0.40	2.06	0.95	1.50	2.06	414.2%
18	0.52	0.34	0.34	0.34	0.34	-35.0%
19	1.16	1.31	1.31	1.31	1.31	12.9%
20	1.95	2.85	2.25	2.55	2.85	46.2%
21	2.11	1.60	1.60	1.60	1.60	-24.1%
22	1.97	3.70	2.54	3.12	3.70	88.1%
23	1.49	1.08	1.08	1.08	1.08	-27.5%
24	1.33	1.29	1.29	1.29	1.29	-2.6%
25	1.31	1.79	1.51	1.71	1.79	36.6%
26	1.98	2.45	2.27	2.45	2.45	24.0%
27	0.42	0.55	0.49	0.55	0.55	30.3%
28	0.39	0.85	0.54	0.69	0.85	118.0%

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
MANUFACTURED HOMES (MOBILEHOMES)
COVERAGE C - \$5,000, 15% DEDUCTIBLE

<u>Territory</u>	<u>Current</u> <u>Rate per policy</u>	<u>Indicated</u> <u>Rate per policy</u>	<u>Selected Rate per Policy</u>			<u>Overall</u>	
			<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Percentage</u> <u>Change</u>	<u>Premium</u> <u>Change</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(6) / (2) - 1.0	(6) - (2)
1	4.58	2.53	3.00	3.00	3.00	-34.5%	(1.58)
2	23.42	28.75	27.00	29.00	29.00	23.8%	5.58
3	14.60	19.96	17.00	19.00	20.00	37.0%	5.40
5	25.22	24.62	25.00	25.00	25.00	-0.9%	(0.22)
6	22.82	20.62	21.00	21.00	21.00	-8.0%	(1.82)
7	15.07	14.02	14.00	14.00	14.00	-7.1%	(1.07)
8	23.03	13.18	13.00	13.00	13.00	-43.6%	(10.03)
11	25.68	15.15	15.00	15.00	15.00	-41.6%	(10.68)
12	24.09	12.69	13.00	13.00	13.00	-46.0%	(11.09)
13	17.00	6.28	6.00	6.00	6.00	-64.7%	(11.00)
15	16.00	8.98	9.00	9.00	9.00	-43.8%	(7.00)
16	4.43	19.41	9.00	14.00	19.00	329.3%	14.57
18	7.40	3.20	3.00	3.00	3.00	-59.4%	(4.40)
19	14.82	12.34	12.00	12.00	12.00	-19.0%	(2.82)
20	24.89	26.91	27.00	27.00	27.00	8.5%	2.11
21	27.00	15.06	15.00	15.00	15.00	-44.4%	(12.00)
22	25.04	34.89	29.00	33.00	35.00	39.8%	9.96
23	21.00	10.17	10.00	10.00	10.00	-52.4%	(11.00)
24	16.81	12.15	12.00	12.00	12.00	-28.6%	(4.81)
25	12.89	16.87	15.00	17.00	17.00	31.9%	4.11
26	25.90	23.16	23.00	23.00	23.00	-11.2%	(2.90)
27	4.47	5.20	5.00	5.00	5.00	11.8%	0.53
28	4.00	8.00	5.00	6.00	8.00	100.0%	4.00

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
MANUFACTURED HOMES (MOBILEHOMES)
CHOICE COVERAGE C - \$5,000, 15% DEDUCTIBLE

Territory (1)	Current Rate per policy (2)	Indicated Rate per policy (3)	Selected Rate per Policy			Overall	
			Year 1 (4)	Year 2 (5)	Year 3 (6)	Percentage Change (7) (6) / (2) - 1.0	Premium Change (8) (6) - (2)
1	8.01	5.30	6.00	6.00	6.00	-25.1%	(2.01)
2	40.29	60.26	47.00	54.00	60.00	48.9%	19.71
3	25.31	41.84	31.00	37.00	42.00	65.9%	16.69
5	44.12	51.60	51.00	52.00	52.00	17.9%	7.88
6	39.69	43.22	43.00	43.00	43.00	8.4%	3.31
7	26.11	29.39	29.00	29.00	29.00	11.1%	2.89
8	40.08	27.61	28.00	28.00	28.00	-30.1%	(12.08)
11	45.22	31.76	32.00	32.00	32.00	-29.2%	(13.22)
12	41.23	26.59	27.00	27.00	27.00	-34.5%	(14.23)
13	29.00	13.17	13.00	13.00	13.00	-55.2%	(16.00)
15	27.00	18.81	19.00	19.00	19.00	-29.6%	(8.00)
16	7.65	40.67	19.00	30.00	41.00	436.2%	33.35
18	12.38	6.71	7.00	7.00	7.00	-43.5%	(5.38)
19	25.37	25.86	26.00	26.00	26.00	2.5%	0.63
20	42.41	56.41	49.00	55.00	56.00	32.0%	13.59
21	46.00	31.57	32.00	32.00	32.00	-30.4%	(14.00)
22	42.66	73.11	53.00	63.00	73.00	71.1%	30.34
23	36.00	21.31	21.00	21.00	21.00	-41.7%	(15.00)
24	28.40	25.47	25.00	25.00	25.00	-12.0%	(3.40)
25	23.78	35.36	28.00	32.00	35.00	47.2%	11.22
26	44.10	48.53	49.00	49.00	49.00	11.1%	4.90
27	7.82	10.90	9.00	10.00	11.00	40.7%	3.18
28	7.00	16.77	10.00	13.00	17.00	142.9%	10.00

Territory 1 base rate is selected as \$6 instead of \$5 to avoid a premium reversal with Standard C after deductible factors are applied.

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
MANUFACTURED HOMES (MOBILEHOMES)
COVERAGE D - \$1,500

<u>Territory</u>	<u>Current</u> <u>Rate per policy</u>	<u>Indicated</u> <u>Rate per policy</u>	<u>Selected Rate per Policy</u>			<u>Overall</u>	
			<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Percentage</u> <u>Change</u>	<u>Premium</u> <u>Change</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(6) / (2) - 1.0	(6) - (2)
1	3.21	1.47	1.00	1.00	1.00	-68.9%	(2.21)
2	11.32	16.73	13.00	15.00	17.00	50.1%	5.68
3	7.82	11.61	9.00	10.00	12.00	53.5%	4.18
5	10.63	14.32	12.00	14.00	14.00	31.7%	3.37
6	9.93	12.00	11.00	12.00	12.00	20.8%	2.07
7	7.96	8.16	8.00	8.00	8.00	0.4%	0.04
8	10.13	7.66	8.00	8.00	8.00	-21.1%	(2.13)
11	9.99	8.81	9.00	9.00	9.00	-9.9%	(0.99)
12	10.00	7.38	7.00	7.00	7.00	-30.0%	(3.00)
13	7.00	3.65	4.00	4.00	4.00	-42.9%	(3.00)
15	6.00	5.22	5.00	5.00	5.00	-16.7%	(1.00)
16	3.01	11.29	6.00	9.00	11.00	265.3%	7.99
18	3.43	1.86	2.00	2.00	2.00	-41.7%	(1.43)
19	6.55	7.18	7.00	7.00	7.00	6.9%	0.45
20	10.37	15.66	12.00	14.00	16.00	54.3%	5.63
21	11.00	8.76	9.00	9.00	9.00	-18.2%	(2.00)
22	10.41	20.29	14.00	17.00	20.00	92.1%	9.59
23	7.00	5.91	6.00	6.00	6.00	-14.3%	(1.00)
24	6.30	7.07	7.00	7.00	7.00	11.2%	0.70
25	5.96	9.82	7.00	8.00	10.00	67.7%	4.04
26	9.60	13.47	11.00	12.00	13.00	35.4%	3.40
27	3.18	3.02	3.00	3.00	3.00	-5.5%	(0.18)
28	3.00	4.65	4.00	5.00	5.00	66.7%	2.00

CALIFORNIA EARTHQUAKE AUTHORITY

**RATE CLASSIFICATION RELATIVITIES
MANUFACTURED HOMES (MOBILEHOMES)
BUILDING CODE UPGRADE - \$20,000**

<u>Territory</u>	<u>Current</u> <u>Rate per policy</u>	<u>Indicated</u> <u>Rate per policy</u>	<u>Selected Rate per Policy</u>			<u>Percentage</u> <u>Change</u>	<u>Overall</u>
			<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>		<u>Premium</u> <u>Change</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(6) / (2) - 1.0	(6) - (2)
1	3.49	1.90	2.00	2.00	2.00	-42.7%	(1.49)
2	22.42	29.31	26.00	29.00	29.00	29.3%	6.58
3	10.71	22.13	14.00	18.00	22.00	105.4%	11.29
5	21.22	26.50	24.00	26.00	26.00	22.5%	4.78
6	18.85	22.28	22.00	22.00	22.00	16.7%	3.15
7	11.00	13.84	13.00	14.00	14.00	27.3%	3.00
8	19.44	12.18	12.00	12.00	12.00	-38.3%	(7.44)
11	20.54	16.04	16.00	16.00	16.00	-22.1%	(4.54)
12	18.14	12.83	13.00	13.00	13.00	-28.3%	(5.14)
13	11.00	6.24	6.00	6.00	6.00	-45.5%	(5.00)
15	11.00	9.82	10.00	10.00	10.00	-9.1%	(1.00)
16	3.22	22.67	10.00	17.00	23.00	614.2%	19.78
18	4.99	2.64	3.00	3.00	3.00	-39.8%	(1.99)
19	10.55	12.13	12.00	12.00	12.00	13.8%	1.45
20	18.31	28.87	22.00	26.00	29.00	58.4%	10.69
21	20.00	15.52	16.00	16.00	16.00	-20.0%	(4.00)
22	18.43	40.15	26.00	33.00	40.00	117.1%	21.57
23	15.00	10.96	11.00	11.00	11.00	-26.7%	(4.00)
24	12.59	13.53	14.00	14.00	14.00	11.2%	1.41
25	11.89	18.67	14.00	16.00	19.00	59.9%	7.11
26	19.20	26.39	22.00	25.00	26.00	35.4%	6.80
27	3.39	5.08	4.00	5.00	5.00	47.6%	1.61
28	3.00	9.74	5.00	7.00	10.00	233.3%	7.00

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
MANUFACTURED HOMES (MOBILEHOMES)

DEDUCTIBLE FACTORS

<u>Coverages A & BCU</u>	<u>Current Relativity</u>	<u>Indicated Relativity</u>	<u>Selected Relativity</u>	<u>Change</u>
(1)	(2)	(3)	(4)	(5)
5%	1.86	1.75	1.75	-5.9%
10%	1.34	1.30	1.30	-3.0%
15%	1.00	1.00	1.00	0.0%
20%	0.82	0.83	0.83	1.2%
25%	0.68	0.71	0.71	4.4%

<u>Coverage C Standard</u>	<u>Current Relativity</u>	<u>Indicated Relativity</u>	<u>Selected Relativity</u>	<u>Change</u>
(1)	(2)	(3)	(4)	(5)
5%	1.86	1.38	1.38	-25.8%
10%	1.34	1.17	1.17	-12.7%
15%	1.00	1.00	1.00	0.0%
20%	0.82	0.89	0.89	8.5%
25%	0.68	0.80	0.80	17.6%

<u>Coverage C CHOICE</u>	<u>Current Relativity</u>	<u>Indicated Relativity</u>	<u>Selected Relativity</u>	<u>Change</u>
(1)	(2)	(3)	(4)	(5)
5%	1.32	1.26	1.26	-4.5%
10%	1.14	1.12	1.12	-1.8%
15%	1.00	1.00	1.00	0.0%
20%	0.92	0.92	0.92	0.0%
25%	0.85	0.86	0.86	1.2%

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
MANUFACTURED HOMES (MOBILEHOMES)

ADDITIONAL LIMITS

<u>Coverage C</u> <u>Standard</u>	<u>Current</u> <u>Relativity</u>	<u>Indicated</u> <u>Relativity</u>	<u>Selected</u> <u>Relativity</u>	<u>Change</u>
(1)	(2)	(3)	(4)	(5)
5,000	1.00	1.00	1.00	0.0%
25,000	2.17	2.44	2.44	12.4%
50,000	2.72	3.08	3.08	13.2%
75,000	3.07	3.45	3.45	12.4%
100,000	3.95	3.98	3.98	0.8%
150,000	5.58	4.50	4.50	-19.4%
200,000	7.88	5.61	5.61	-28.8%

<u>Coverage C</u> <u>CHOICE</u>	<u>Current</u> <u>Relativity</u>	<u>Indicated</u> <u>Relativity</u>	<u>Selected</u> <u>Relativity</u>	<u>Change</u>
(1)	(2)	(3)	(4)	(5)
5,000	1.00	1.00	1.00	0.0%
25,000	1.64	1.47	1.47	-10.4%
50,000	1.84	1.73	1.73	-6.0%
75,000	1.97	1.89	1.89	-4.1%
100,000	2.20	2.17	2.17	-1.4%
150,000	2.80	2.55	2.55	-8.9%
200,000	3.53	3.12	3.12	-11.6%

<u>Coverage D</u>	<u>Current</u> <u>Relativity</u>	<u>Indicated</u> <u>Relativity</u>	<u>Selected</u> <u>Relativity</u>	<u>Change</u>
(1)	(2)	(3)	(4)	(5)
1,500	1.00	1.00	1.00	0.0%
10,000	2.03	2.27	2.27	11.8%
15,000	2.66	2.94	2.94	10.5%
25,000	3.42	3.76	3.76	9.9%
100,000	7.15	7.85	7.85	9.8%
150,000	10.89	11.94	11.94	9.6%
200,000	14.62	16.03	16.03	9.6%

CALIFORNIA EARTHQUAKE AUTHORITY

**RATE CLASSIFICATION RELATIVITIES
MANUFACTURED HOMES (MOBILEHOMES)**

EARTHQUAKE RESISTANT BRACING SYSTEM (ERBS)

<u>ERBS</u>	<u>Current</u>	<u>Indicated</u>	<u>Selected</u>	<u>Change</u>
(1)	<u>Relativity</u>	<u>Relativity</u>	<u>Relativity</u>	(5)
	(2)	(3)	(4)	
Y	0.77	0.79	0.79	2.6%
N	1.00	1.00	1.00	0.0%

AGE OF CONSTRUCTION

<u>Age</u>	<u>Current</u>	<u>Indicated</u>	<u>Selected</u>	<u>Change</u>
(1)	<u>Relativity</u>	<u>Relativity</u>	<u>Relativity</u>	(5)
	(2)	(3)	(4)	
Pre-1975	1.00	1.06	1.06	6.0%
1975 - 1994	1.00	0.98	0.98	-2.0%
Post-1994	1.00	0.91	0.91	-9.0%

CALIFORNIA EARTHQUAKE AUTHORITY

**RATE CLASSIFICATION RELATIVITIES
CONDOS / RENTERS - COVERAGE C - \$5,000 - 15% DEDUCTIBLE**

<u>Territory</u> (1)	<u>Current</u> <u>Rate per policy</u> (2)	<u>Indicated</u> <u>Rate per policy</u> (3)	<u>Selected Rate per Policy</u>			<u>Percentage</u> <u>Change</u> (7) (6) / (2) - 1.0	<u>Premium</u> <u>Change</u> (8) (6) - (2)
			<u>Year 1</u> (4)	<u>Year 2</u> (5)	<u>Year 3</u> (6)		
1	7.47	4.93	5.00	5.00	5.00	-33.1%	(2.47)
2	32.71	40.50	38.00	40.00	40.00	22.3%	7.29
3	21.56	15.79	16.00	16.00	16.00	-25.8%	(5.56)
5	33.00	31.41	31.00	31.00	31.00	-6.1%	(2.00)
6	32.99	27.40	27.00	27.00	27.00	-18.2%	(5.99)
7	23.01	16.87	17.00	17.00	17.00	-26.1%	(6.01)
8	31.65	17.22	17.00	17.00	17.00	-46.3%	(14.65)
11	31.30	20.19	20.00	20.00	20.00	-36.1%	(11.30)
12	33.00	18.95	19.00	19.00	19.00	-42.4%	(14.00)
13	23.00	10.54	11.00	11.00	11.00	-52.2%	(12.00)
15	23.00	14.44	14.00	14.00	14.00	-39.1%	(9.00)
16	7.00	19.24	11.00	15.00	19.00	171.4%	12.00
18	8.42	5.62	6.00	6.00	6.00	-28.8%	(2.42)
19	23.00	17.66	18.00	18.00	18.00	-21.7%	(5.00)
20	30.04	35.63	35.00	36.00	36.00	19.9%	5.96
21	33.00	26.81	27.00	27.00	27.00	-18.2%	(6.00)
22	32.67	38.33	38.00	38.00	38.00	16.3%	5.33
23	28.22	13.99	14.00	14.00	14.00	-50.4%	(14.22)
24	23.00	19.43	19.00	19.00	19.00	-17.4%	(4.00)
25	22.87	21.22	21.00	21.00	21.00	-8.2%	(1.87)
26	23.00	28.17	26.00	28.00	28.00	21.7%	5.00
27	7.87	5.60	6.00	6.00	6.00	-23.7%	(1.87)
28	7.00	6.69	7.00	7.00	7.00	0.0%	-

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
CONDOS / RENTERS - COVERAGE D - \$1,500

<u>Territory</u>	<u>Current</u> <u>Rate per policy</u>	<u>Indicated</u> <u>Rate per policy</u>	<u>Selected Rate per Policy</u>			<u>Overall</u>	
			<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Percentage</u> <u>Change</u>	<u>Premium</u> <u>Change</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
						(6) / (2) - 1.0	(6) - (2)
1	5.20	3.34	3.00	3.00	3.00	-42.4%	(2.20)
2	15.88	18.43	18.00	18.00	18.00	13.4%	2.12
3	11.37	9.35	9.00	9.00	9.00	-20.8%	(2.37)
5	16.00	19.13	18.00	19.00	19.00	18.8%	3.00
6	16.00	13.07	13.00	13.00	13.00	-18.7%	(3.00)
7	12.00	10.36	10.00	10.00	10.00	-16.7%	(2.00)
8	15.46	10.32	10.00	10.00	10.00	-35.3%	(5.46)
11	15.32	12.32	12.00	12.00	12.00	-21.7%	(3.32)
12	16.00	11.84	12.00	12.00	12.00	-25.0%	(4.00)
13	12.00	6.48	6.00	6.00	6.00	-50.0%	(6.00)
15	12.00	8.25	8.00	8.00	8.00	-33.3%	(4.00)
16	5.00	11.84	7.00	9.00	12.00	140.0%	7.00
18	5.62	4.20	4.00	4.00	4.00	-28.9%	(1.62)
19	12.00	12.56	13.00	13.00	13.00	8.3%	1.00
20	14.81	19.94	17.00	19.00	20.00	35.0%	5.19
21	16.00	12.77	13.00	13.00	13.00	-18.8%	(3.00)
22	15.87	19.62	18.00	20.00	20.00	26.0%	4.13
23	14.09	7.88	8.00	8.00	8.00	-43.2%	(6.09)
24	12.00	10.11	10.00	10.00	10.00	-16.7%	(2.00)
25	11.94	12.66	13.00	13.00	13.00	8.9%	1.06
26	12.00	14.58	14.00	15.00	15.00	25.0%	3.00
27	5.37	3.66	4.00	4.00	4.00	-25.5%	(1.37)
28	5.00	3.52	4.00	4.00	4.00	-20.0%	(1.00)

CALIFORNIA EARTHQUAKE AUTHORITY

**RATE CLASSIFICATION RELATIVITIES
CONDOS - COVERAGE A - \$25,000 - 15% DEDUCTIBLE**

<u>Territory</u> (1)	<u>Current</u> <u>Rate per policy</u> (2)	<u>Indicated</u> <u>Rate per policy</u> (3)	<u>Selected Rate per Policy</u>			<u>Overall</u>	
			<u>Year 1</u> (4)	<u>Year 2</u> (5)	<u>Year 3</u> (6)	<u>Percentage</u> <u>Change</u> (7) (6) / (2) - 1.0	<u>Premium</u> <u>Change</u> (8) (6) - (2)
1	35.26	27.15	27.00	27.00	27.00	-23.4%	(8.26)
2	199.00	223.19	223.00	223.00	223.00	12.1%	24.00
3	113.62	86.20	86.00	86.00	86.00	-24.3%	(27.62)
5	199.00	244.55	229.00	245.00	245.00	23.1%	46.00
6	199.00	152.98	153.00	153.00	153.00	-23.1%	(46.00)
7	125.10	112.54	113.00	113.00	113.00	-9.7%	(12.10)
8	182.66	108.43	108.00	108.00	108.00	-40.9%	(74.66)
11	188.73	141.63	142.00	142.00	142.00	-24.8%	(46.73)
12	199.00	128.65	129.00	129.00	129.00	-35.2%	(70.00)
13	125.00	58.62	59.00	59.00	59.00	-52.8%	(66.00)
15	125.00	104.98	105.00	105.00	105.00	-16.0%	(20.00)
16	33.00	113.89	60.00	87.00	114.00	245.5%	81.00
18	40.19	35.03	35.00	35.00	35.00	-12.9%	(5.19)
19	125.00	127.00	127.00	127.00	127.00	1.6%	2.00
20	176.15	245.52	203.00	229.00	246.00	39.7%	69.85
21	199.00	171.19	171.00	171.00	171.00	-14.1%	(28.00)
22	195.96	287.83	227.00	258.00	288.00	47.0%	92.04
23	157.63	82.57	83.00	83.00	83.00	-47.3%	(74.63)
24	125.00	147.95	144.00	148.00	148.00	18.4%	23.00
25	125.00	181.11	144.00	163.00	181.00	44.8%	56.00
26	125.00	192.91	148.00	171.00	193.00	54.4%	68.00
27	33.97	30.65	31.00	31.00	31.00	-8.7%	(2.97)
28	-	-	105.00	105.00	105.00		

NOTE: There are no Condo policies with Coverage A in Territory 28. The selected rate is the same as the rate for Territory 15 noting that, in the case of homeowners, Territory 28 and Territory 15 have similar rate levels.

CALIFORNIA EARTHQUAKE AUTHORITY

**RATE CLASSIFICATION RELATIVITIES
CONDOS - COVERAGE E - \$50,000 - 15% DEDUCTIBLE**

<u>Territory</u> (1)	<u>Current</u> <u>Rate per policy</u> (2)	<u>Indicated</u> <u>Rate per policy</u> (3)	<u>Selected Rate per Policy</u>			<u>Overall</u>	
			<u>Year 1</u> (4)	<u>Year 2</u> (5)	<u>Year 3</u> (6)	<u>Percentage</u> <u>Change</u> (7) (6) / (2) - 1.0	<u>Premium</u> <u>Change</u> (8) (6) - (2)
1	142.63	107.79	108.00	108.00	108.00	-24.3%	(34.63)
2	661.00	656.18	656.00	656.00	656.00	-0.8%	(5.00)
3	395.14	314.98	315.00	315.00	315.00	-20.3%	(80.14)
5	661.00	782.74	760.00	783.00	783.00	18.5%	122.00
6	661.00	496.07	496.00	496.00	496.00	-25.0%	(165.00)
7	438.33	389.49	389.00	389.00	389.00	-11.3%	(49.33)
8	591.28	391.98	392.00	392.00	392.00	-33.7%	(199.28)
11	630.78	474.43	474.00	474.00	474.00	-24.9%	(156.78)
12	661.00	448.72	449.00	449.00	449.00	-32.1%	(212.00)
13	438.00	223.46	223.00	223.00	223.00	-49.1%	(215.00)
15	438.00	339.83	340.00	340.00	340.00	-22.4%	(98.00)
16	136.00	353.53	209.00	282.00	354.00	160.3%	218.00
18	150.27	141.39	141.00	141.00	141.00	-6.2%	(9.27)
19	438.00	449.68	450.00	450.00	450.00	2.7%	12.00
20	578.94	785.85	666.00	753.00	786.00	35.8%	207.06
21	661.00	589.97	590.00	590.00	590.00	-10.7%	(71.00)
22	652.09	932.66	750.00	848.00	933.00	43.1%	280.91
23	536.88	299.11	299.00	299.00	299.00	-44.3%	(237.88)
24	438.00	480.97	481.00	481.00	481.00	9.8%	43.00
25	438.00	534.05	504.00	534.00	534.00	21.9%	96.00
26	438.00	579.39	504.00	570.00	579.00	32.2%	141.00
27	137.78	134.40	134.00	134.00	134.00	-2.7%	(3.78)
28	-	-	340.00	340.00	340.00		

NOTE: There are no Condo policies with Coverage E in Territory 28. The selected rate is the same as the rate for Territory 15 noting that, in the case of homeowners, Territory 28 and Territory 15 have similar rate levels.

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
CONDOS / RENTERS

DEDUCTIBLE FACTORS

<u>Condo</u> <u>Coverage A</u> (1)	<u>Current</u> <u>Relativity</u> (2)	<u>Indicated</u> <u>Relativity</u> (3)	<u>Selected</u> <u>Relativity</u> (4)	<u>Change</u> (5)
5%	1.33	1.38	1.38	3.8%
10%	1.14	1.16	1.16	1.8%
15%	1.00	1.00	1.00	0.0%
20%	0.91	0.90	0.90	-1.1%
25%	0.83	0.82	0.82	-1.2%

<u>Condo / Renter</u> <u>Coverage C</u> (1)	<u>Current</u> <u>Relativity</u> (2)	<u>Indicated</u> <u>Relativity</u> (3)	<u>Selected</u> <u>Relativity</u> (4)	<u>Change</u> (5)
5%	2.24	2.05	2.05	-8.5%
10%	1.48	1.40	1.40	-5.4%
15%	1.00	1.00	1.00	0.0%
20%	0.75	0.80	0.80	6.7%
25%	0.57	0.65	0.65	14.0%

<u>Condo</u> <u>Coverage E</u> (1)	<u>Current</u> <u>Relativity</u> (2)	<u>Indicated</u> <u>Relativity</u> (3)	<u>Selected</u> <u>Relativity</u> (4)	<u>Change</u> (5)
5%	1.28	1.26	1.26	-1.6%
10%	1.12	1.11	1.11	-0.9%
15%	1.00	1.00	1.00	0.0%
20%	0.92	0.93	0.93	1.1%
25%	0.86	0.87	0.87	1.2%

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
CONDO / RENTERS

ADDITIONAL LIMITS

<u>Condo Coverage A</u> (1)	<u>Current Relativity</u> (2)	<u>Indicated Relativity</u> (3)	<u>Selected Relativity</u> (4)	<u>Change</u> (5)
25,000	1.00	1.00	1.00	0.0%
50,000	1.67	1.82	1.82	9.0%
75,000	2.31	2.77	2.77	19.9%
100,000	2.86	3.40	3.40	18.9%

<u>Condo / Renter Coverage C</u> (1)	<u>Current Relativity</u> (2)	<u>Indicated Relativity</u> (3)	<u>Selected Relativity</u> (4)	<u>Change</u> (5)
5,000	1.00	1.00	1.00	0.0%
25,000	1.32	1.58	1.58	19.7%
50,000	2.95	3.49	3.49	18.3%
75,000	4.59	5.40	5.40	17.6%
100,000	6.22	7.31	7.31	17.5%
150,000	9.50	11.13	11.13	17.2%
200,000	12.77	14.95	14.95	17.1%

<u>Condo / Renter Coverage D</u> (1)	<u>Current Relativity</u> (2)	<u>Indicated Relativity</u> (3)	<u>Selected Relativity</u> (4)	<u>Change</u> (5)
1,500	1.00	1.00	1.00	0.0%
10,000	2.74	2.53	2.53	-7.7%
15,000	3.58	3.29	3.29	-8.1%
25,000	4.63	4.22	4.22	-8.9%
50,000	9.59	8.76	8.76	-8.7%
75,000	14.39	13.31	13.31	-7.5%
100,000	19.41	17.85	17.85	-8.0%

CALIFORNIA EARTHQUAKE AUTHORITY
RATE CLASSIFICATION RELATIVITIES
CONDO / RENTERS

<u>Condo</u> <u>Coverage E</u> (1)	ADDITIONAL LIMITS			<u>Change</u> (5)
	<u>Current</u> <u>Relativity</u> (2)	<u>Indicated</u> <u>Relativity</u> (3)	<u>Selected</u> <u>Relativity</u> (4)	
25,000	0.63	0.60	0.60	-4.8%
50,000	1.00	1.00	1.00	0.0%
75,000	1.62	1.58	1.58	-2.5%
100,000	2.13	2.08	2.08	-2.3%

**CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE**

INSURER'S RATEMAKING CALCULATIONS

The method used in the development of the rate level indication relies primarily on modeled earthquake losses. Page 3 shows the development of the total needed premium and the resulting loss cost multipliers.

- (1) Adjusted Average Annual Losses
Modeled losses for the CEA portfolio as of June 30, 2017 adjusted for policy features and growth.
- (2) Loss Adjustment Expenses - Member Paid
Per the Participating Insurer Agreement, the CEA pays the participating insurers 9% of the loss for adjusting claims. Calculated as Line (1) x 9%.
- (3) Loss Adjustment Expenses - CEA Paid
Estimated adjusting and other expense that the CEA pays. Calculated as Line (1) x .5%.
- (4) Indicated Provision for Loss and Loss Adjustment Expense
Sum of lines (1), (2), and (3).
- (5) Expenses - Participating Insurers
Per the Insurer Participation Agreement, the CEA pays the participating insurers 6% of the net written CEA premium attributable to the Participating Insurer, not including any loading for reinsurance, capital costs or producer commission.
- (6) Premium, Net of Commission, Tax and Risk Financing Costs
Interim calculation in order to determine the proper load for the participating insurers expenses, line (5). Calculated as line (4) / (1.0 - 6%).
- (7) Risk Financing Costs
Estimated cost of risk financing. See Exhibit 12.
- (8) Recoveries
Estimated losses recovered from risk financing sources based on modeled losses.
- (9) Reinsurance Brokerage Fees
The CEA pays its reinsurance intermediary fees per contract, not under a commission agreement.
- (10) Annual Risk Capital Surcharge
Additional capital paid by new participating insurers subject to CIC 10089.16 (d).
Note: there are no monies due or expected.
- (11) Estimated Net Cost of Risk Financing
Calculated as line (7) - line (8) + line (9) - line (10)
- (12) Premium Net of Commissions and Tax
Calculated as line (6) + line (11)

CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE

INSURER'S RATEMAKING CALCULATIONS

- (13) Commission
By regulation, the CEA pays 10% commission. Calculated as line (17) x 10%.
- (14) CEA Operating Expenses
Calculated as line (17) x 6%.
- (15) State Premium Tax
Calculated as line (17) x 2.35%.
- (16) Underwriting Profit Provision
See Page 4.
- (17) Total Premium
Calculated as the sum of lines (12) through (16).
- (18) Loss Cost Multiplier
Calculated as line (17) / line (1).
- (19) Selected Loss Cost Multiplier
Selection based on line (18).
- (20) Filed Loss Cost Multiplier
Loss cost multiplier underlying current filed rates for basic and increased limits coverage.
- (21) Change due to change in loss cost multiplier
Calculated as line (19) / line (20) - 1.0.
- (22) Current Premium
Current annualized premium for June 30, 2017 portfolio
- (23) Premium (loss) Trend Factor
Exhibit 5. Note the premium (loss) trend factor is already applied to the losses in line (1).
- (24) Indicated rate change
Calculated as line (17) / [line (22) * line (23)] - 1.0

CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE

INSURER'S RATEMAKING CALCULATIONS

(Thousands)

		<u>Total</u>	<u>Basic</u> <u>Limits</u>	<u>Increased</u> <u>Limits</u>
(1) Adjusted Average Annual Loss		352,862	309,713	43,149
(2) Loss Adjustment Expense - Member paid (1) X 9%	9%	31,758	27,874	3,883
(3) Loss Adjustment Expense - CEA paid (1) X .5%	0.5%	1,764	1,549	216
(4) Indicated Provision for Loss and LAE (1) + (2) + (3)		386,384	339,135	47,248
(5) Expenses - Participating Insurers (6) x 6%	6%	24,663	21,647	3,016
(6) Premium Net of Commission, Tax and Risk Financing Costs (4) / (1.0 - 6%)		411,047	360,782	50,264
(7) Risk Financing Costs		444,487	346,643	97,844
(8) Expected Recoveries		223,520	174,317	49,203
(9) Reinsurance Brokerage Fees		2,800	2,184	616
(10) Annual Risk Capital Surcharge		-	-	-
(11) Estimated Net Cost of Risk Financing (7) - (8) + (9) - (10)		223,767	174,510	49,257
(12) Premium Net of Commission and Tax (6) + (11)		634,814	535,292	99,522
(13) Commission (17) x 10%	10%	77,748	65,559	12,189
(14) CEA Operating Expense (17) x 6%	6.0%	46,649	39,336	7,313
(15) State Premium Tax (17) x 2.35%	2.35%	18,271	15,406	2,864
(16) Underwriting Profit Provision	0.0%	-	-	-
(17) Total Premium (12) + (13) + (14) + (15) + (16)		777,482	655,594	121,888
(18) Loss Cost Multiplier (17) / (1)		2.20	2.12	2.82
(19) Selected Loss Cost Multiplier		2.20	2.12	2.82
(20) Filed Loss Cost Multiplier			2.10	2.76
(21) Change due to change in Loss Cost Multiplier (19) / (20) - 1.0			1.0%	2.0%
(22) Current Premium		639,456		
(23) Premium (loss) Trend Factor		1.210		
(24) Indicated rate change (17) / [(22)*(23)] - 1.0		0.5%		

CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE

INSURER'S RATEMAKING CALCULATIONS

(Thousands)

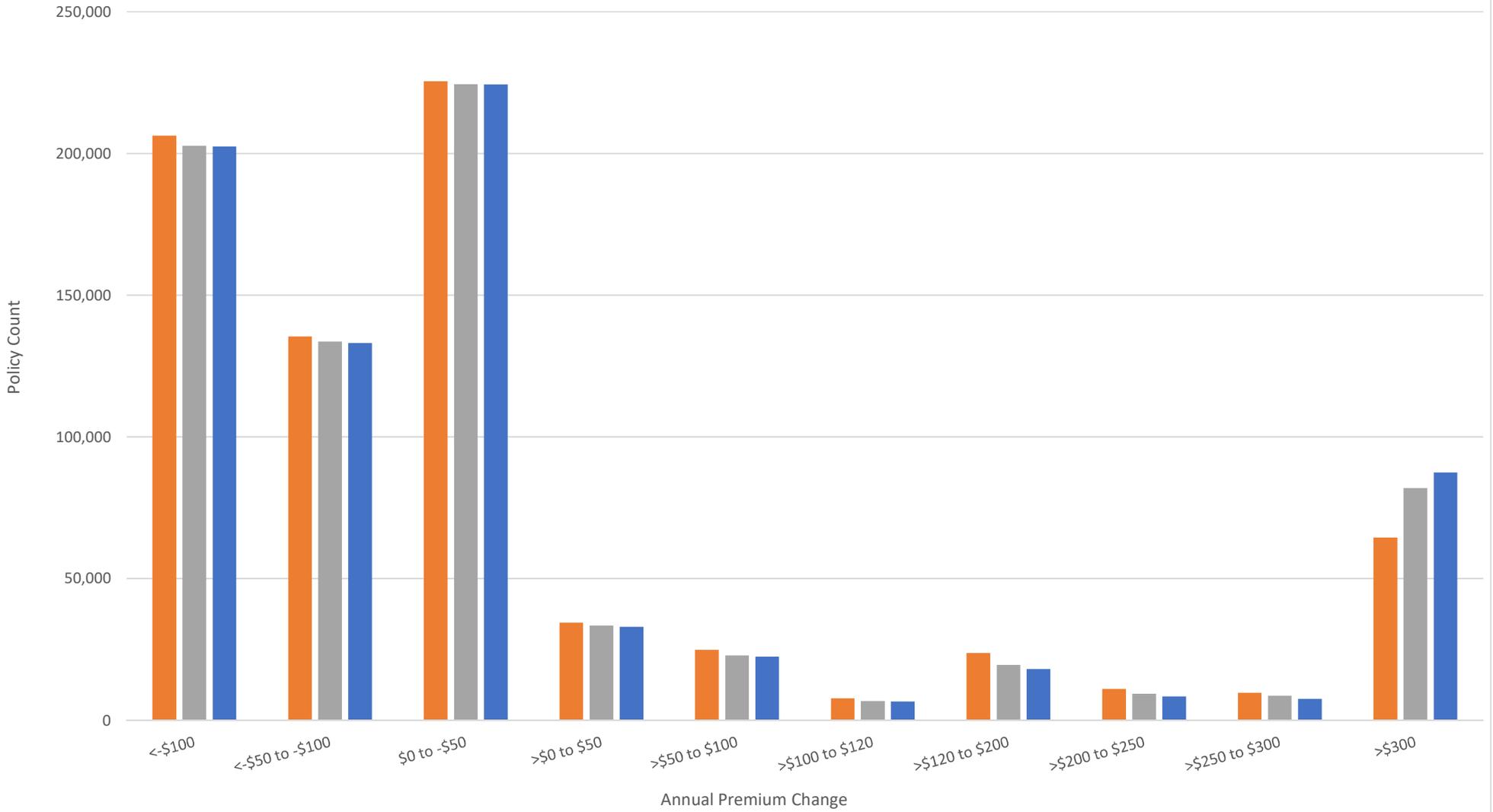
(1) Available Capital	5,478,906
(2) Implied Rate of Return	2.40%
(3) Target after-tax return	131,238
(4) Unearned Premium Reserve	388,617
(5) Loss and LAE Reserves	325,094
(6) Investment Yield	2.20%
(7) Return on Invested Assets	136,238
(8) Mitigation Fund (lesser of 5% of (7) or \$5M)	5,000
(9) Expected Investment Income net of mitigation fund	131,238
(10) Selected pre-tax underwriting profit provision	0.0%

Notes:

- (1) Projected CEA Capital at 7/1/2019 (assuming expected earthquake loss to CEA capital layer.)
- (2) (1) / (9) The CEA retains its investment income in order to increase policyholder claims
- (3) (1) * (2)
- (4) 50% of projected net premium (Exhibit 21, page 3, line 17 less line 11 plus line 8)
- (5) Expected Loss and LAE to CEA Capital layer
- (6) CDI Exhibit 3.2 - Projected Yield and Federal Income Tax Rate on Investment Income
- (7) (6) * [(1) + (4) + (5)]
- (8) Per CIC 10089.37
- (9) (7) - (8)

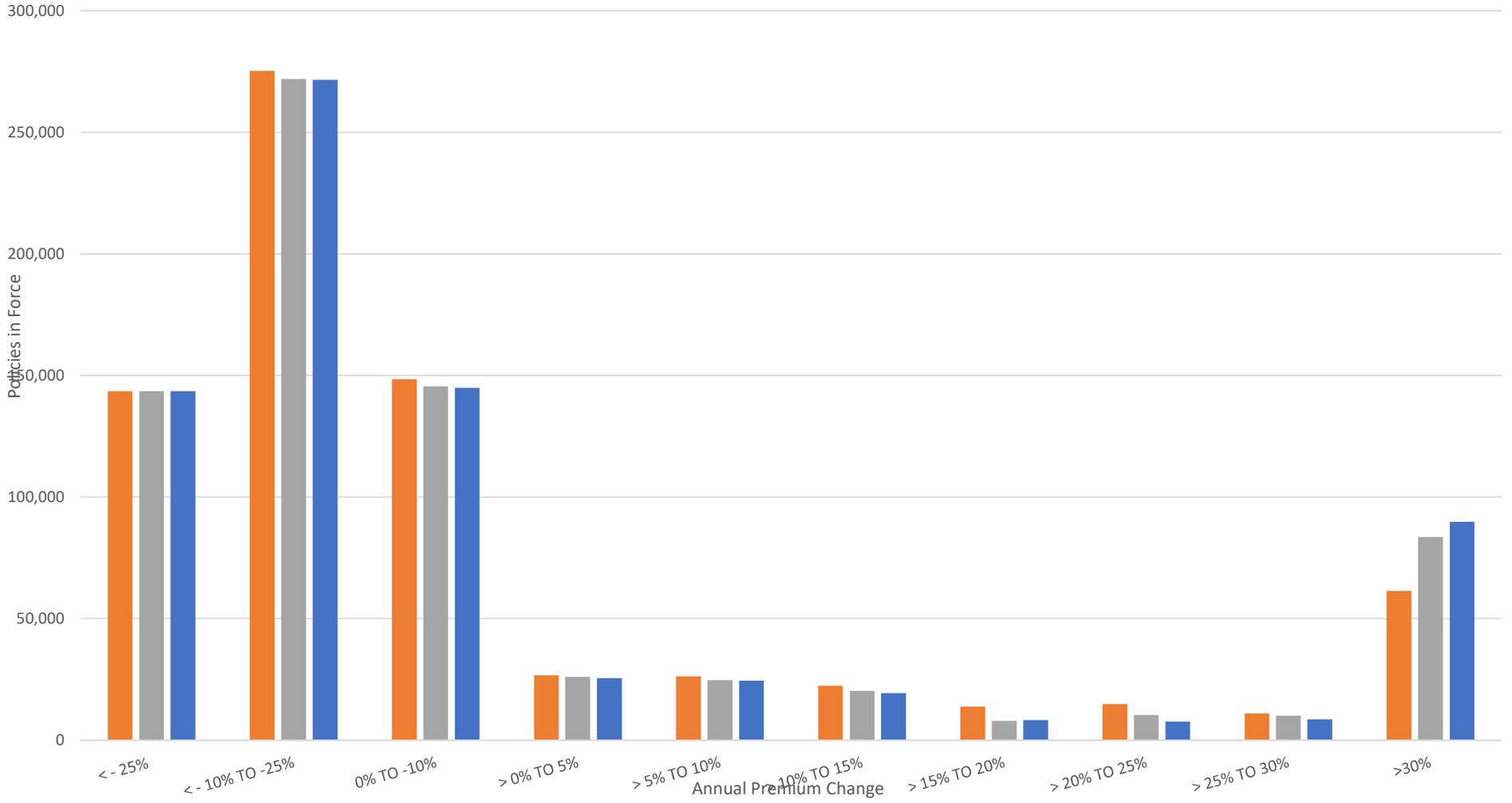
Proposed Rate Filing - Total Annual Premium Change (\$) Homeowners

- Year 1
- Year 2
- Year 3



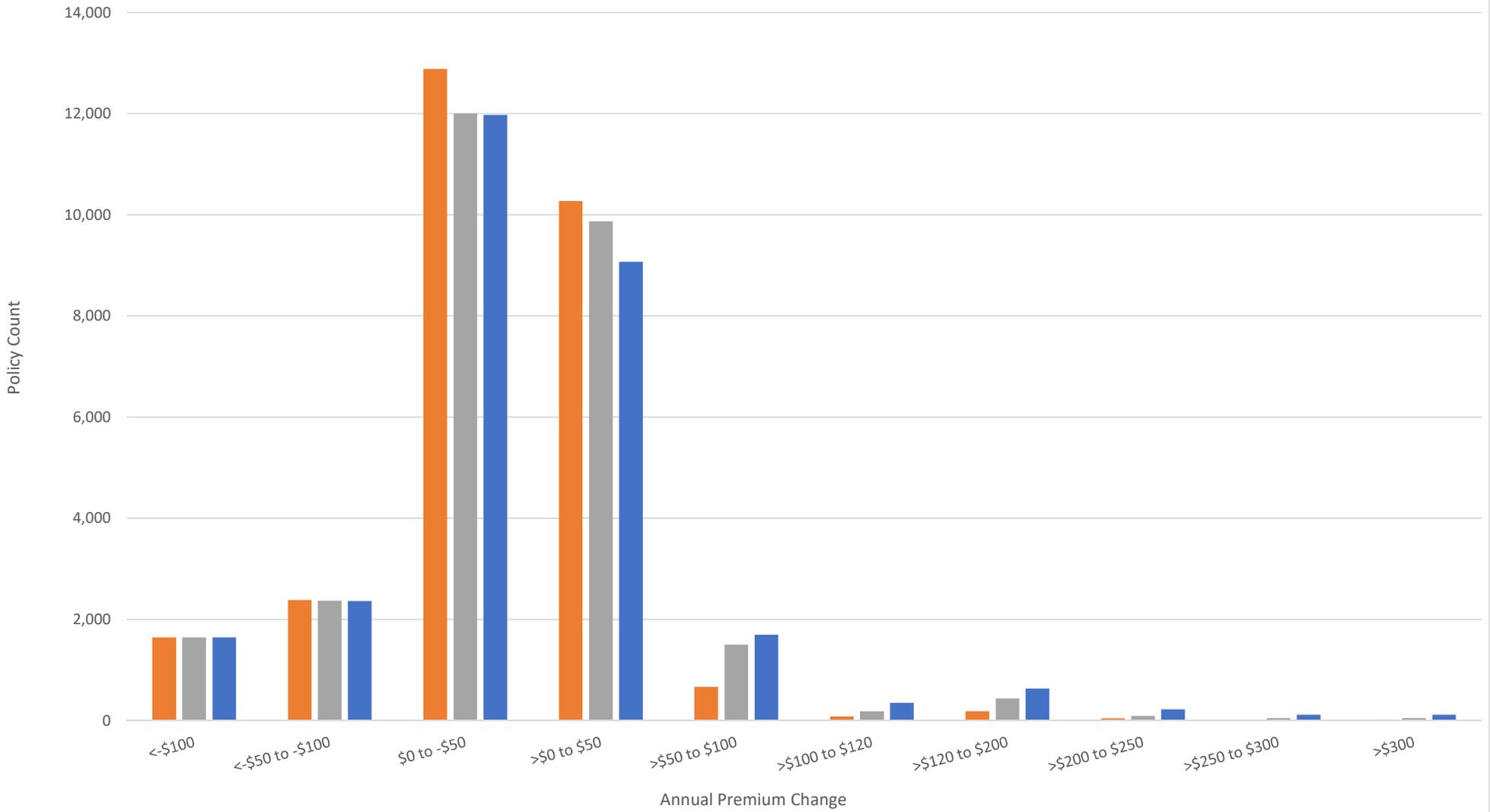
Proposed Rate Filing - Total Annual Premium Change (%) Homeowners

- Year 1
- Year 2
- Year 3



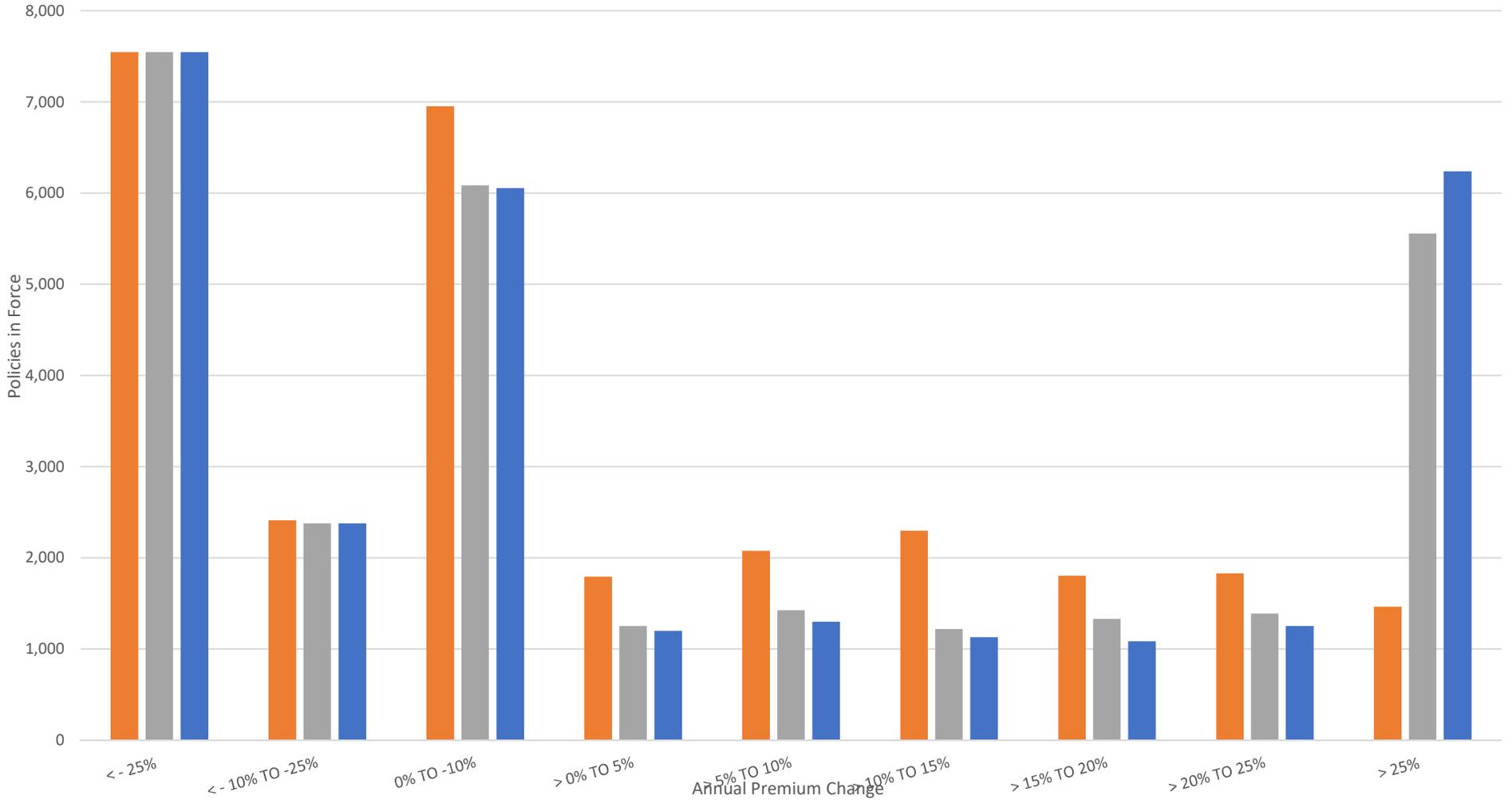
Proposed Rate Filing - Total Annual Premium Change (\$) Manufactured Homes

- Year 1
- Year 2
- Year 3



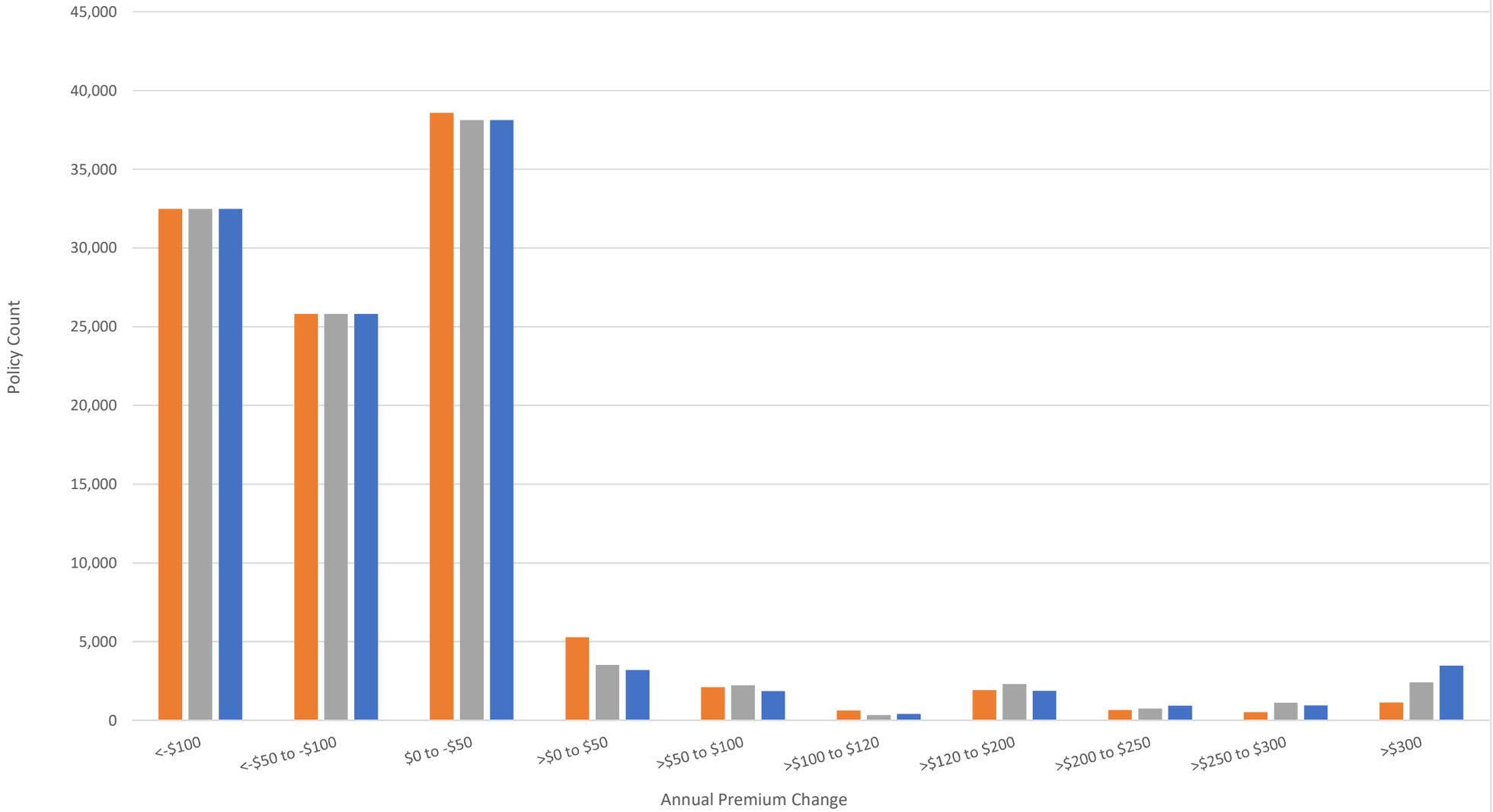
Proposed Rate Filing - Total Annual Premium Change (%) Manufactured Homes

Year 1
Year 2
Year 3



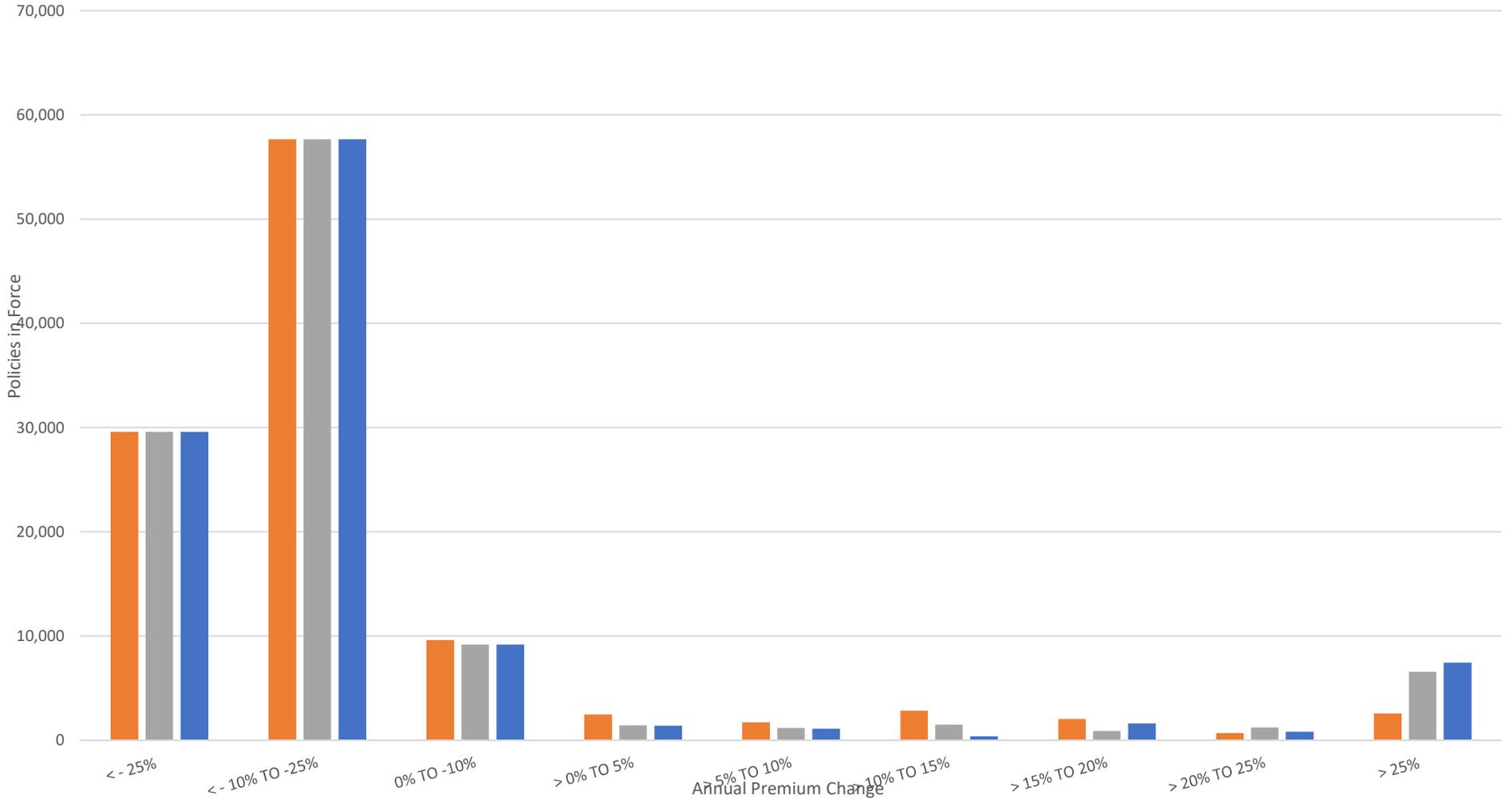
Proposed Rate Filing - Total Annual Premium Change (\$) Condominium Unitowners

- Year 1
- Year 2
- Year 3



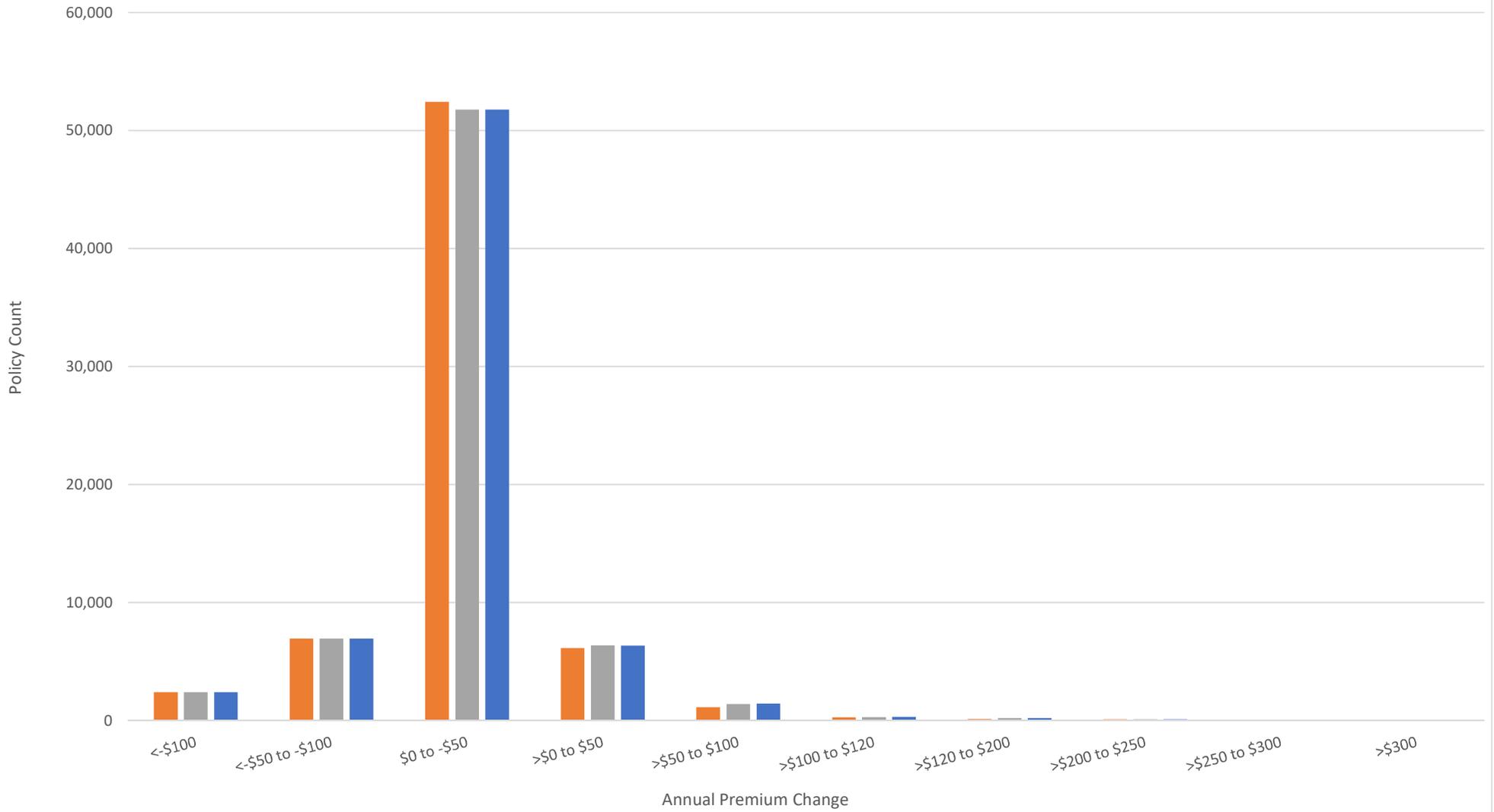
Proposed Rate Filing - Total Annual Premium Change (%)
 Condominium Unitowners

Year 1
 Year 2
 Year 3



Proposed Rate Filing - Total Annual Premium Change (\$) Renters

- Year 1
- Year 2
- Year 3



Proposed Rate Filing - Total Annual Premium Change (%) Renters

Year 1
Year 2
Year 3

