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California Earthquake Authority's Innovative Financial Transactions Receive International Recognition

SACRAMENTO, Calif. – At the fourth annual *Trading Risk* Awards ceremony in London, the California Earthquake Authority (CEA) was honored for excellence in innovative financial transactions. Acknowledging the CEA's original approach to financing its insurance risk, an independent panel of industry experts awarded the CEA the award for *Sponsor of the Year*.

The *Sponsor of the Year* award honors ongoing insurance-linked securities issuance and adoption of new trading-risk technology, or a newcomer to the market that has researched the sector and sponsored an innovative deal.

“It's a high honor for the CEA to receive this prestigious award,” said CEA Chief Executive Officer Glenn Pomeroy. “Under the leadership of Chief Financial Officer Tim Richison and his team, we will continue to look for innovative ways to diversify and expand our claim-paying resources. A diverse set of risk-transfer tools will help us make earthquake insurance more affordable and more widely used.”

In honoring CEA's first-of-its-kind transaction completed last year, *Trading Risk* acknowledged the CEA's professionalism and achievement in a fast-developing market. According to *Trading Risk*, its awards are a way to reward the hard work and dedication that are bringing together this sector in the (re)insurance and capital market landscape.

“We thank *Trading Risk* for this honor,” said Tim Richison, CEA's chief financial officer. “The CEA worked to create this transaction as we looked to develop an innovative approach to access the capital markets. But we wanted to use flexible terms – more like those found in traditional reinsurance markets. We believe this successful transaction has paved the way for larger, more diverse pools of sponsors and risks to enter the convergence markets.”

In August 2011, the California Earthquake Authority (“CEA”) entered into a three-year, fully collateralized reinsurance contract with Embarcadero Reinsurance Ltd. (“Embarcadero”), a Bermuda-based special purpose reinsurance vehicle established solely for this and future CEA reinsurance transactions. To fund the collateral account for the benefit of the CEA, Embarcadero sold \$150 million of principal-at-risk, variable-rate notes with a scheduled maturity of August 8, 2014. This transaction was a milestone, both for the CEA and for the risk-transfer convergence markets.

The California Earthquake Authority is a publicly managed, privately funded organization that provides catastrophic residential earthquake insurance and encourages Californians to reduce their risks of earthquake loss. Today, the CEA is the largest monoline writer of residential earthquake insurance in the United States, with about 820,000 policies in force, some \$600 million in annual premium revenue and more than \$9 billion in claim-paying capacity. The CEA currently writes about 70 percent of the residential earthquake insurance policies sold in California.

For more information, see www.EarthquakeAuthority.com.