

**DEPARTMENT OF INSURANCE**

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December 1, 2014

Honorable William Monning, Chair  
Senate Insurance Committee  
State Capitol, Room 4066  
Sacramento, CA 95814

Honorable Henry Perea, Chair  
Assembly Insurance Committee  
State Capitol, Room 3120  
Sacramento, CA 95814

**INFORMATIONAL REPORT—CALIFORNIA DEPARTMENT OF INSURANCE—  
SEISMIC SAFETY COMMISSION ASSESSMENT**

Pursuant to California Insurance Code (CIC) Section 12975.9(g), the California Department of Insurance is submitting the annual Seismic Safety Commission Assessment Informational Report. This annual report provides the following for the Fiscal Year 2014-15 Seismic Safety Assessment:

- Background information
- Assessment methodology
- Listing of each insurer and its corresponding assessment

This report can be found online at <http://www.insurance.ca.gov/0400-news/0200-studies-reports/>.

If you have any questions regarding this report or would like to obtain a hard copy, please contact Julia Cross, Division Chief, Financial Management Division, at (916) 492-3264.

Sincerely,

A handwritten signature in blue ink that reads "Erika Sperbeck".

Erika Sperbeck  
Deputy Commissioner  
Administration & Licensing Services Branch

Attachment

Honorable William Monning  
Honorable Henry Perea  
December 1, 2014  
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cc: The Honorable Mark Leno, Chair, Senate Budget and Fiscal Review Committee  
The Honorable Nancy Skinner, Chair, Assembly Budget Committee  
Mark Ibele, Staff Director, Senate Budget and Fiscal Review Committee  
Christian Griffith, Chief Consultant, Assembly Budget Committee  
Jeff Carosone, Principal Program Budget Analyst, Department of Finance  
Jeff Weiner, Budget Analyst, Department of Finance  
Mac Taylor, Legislative Analyst, Legislative Analyst's Office  
Richard McCarthy, Executive Director, Seismic Safety Commission  
Julia Cross, Division Chief, California Department of Insurance

**CALIFORNIA DEPARTMENT OF INSURANCE  
SEISMIC SAFETY COMMISSION ASSESSMENT  
INFORMATIONAL REPORT  
FISCAL YEAR 2014-15**

**BACKGROUND**

California Insurance Code (CIC) Section 12975.9 established a Seismic Safety sub-account in the Insurance Fund and imposed an assessment to fund the Seismic Safety Commission (SSC) upon appropriation by the Legislature. This assessment became inoperative on July 1, 2012. In Fiscal Year (FY) 2012-13, the SSC was funded by the General Fund, and in FY 2013-14, the SSC was funded by a General Fund loan in the amount of \$1,122,000.

AB 98 (Chapter 27, Statutes of 2013) re-established a Seismic Safety sub-account, effective June 27, 2013, and imposed an assessment on each person who owns real property, commercial or residential, that is covered by a property insurance policy to fund the SSC. The California Department of Insurance (CDI) shall set the assessment annually every August 1 for all commercial and residential earned property exposures reported during the previous calendar year. This assessment supports the operations of the SSC and allows a multi-year repayment of the General Fund loan.

**ASSESSMENT METHODOLOGY**

Pursuant to CIC Section 12975.9, the annual assessment shall be set at \$0.15 per earned property exposure for the first three years of implementation. Given that FY 2014-15 is the first year of implementation, the assessment is \$0.15. The Department used the annual Complaint Ratio Study (CRS-2014) to determine the earned exposures by company.

The FY 2014-15 total assessment is \$1,475,895 and CDI anticipates the distribution to be as follows:

Seismic Safety Commission	\$1,185,000
Re-Payment to the General Fund	177,145
Prudent Reserve	98,750
CDI Administrative Costs	<u>15,000</u>
<b>Total Assessment</b>	<b>\$1,475,895</b>

Invoices were mailed to affected insurers in October/November 2014. Attached is a listing that shows the insurers and their corresponding assessment for FY 2014-15.

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