

**California Department of Insurance
Fiscal Year 2018-19 Seismic Safety Commission Assessment
Informational Report**

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. On July 1, 2012, this assessment became inoperative as the SSC was funded by the General Fund in Fiscal Year (FY) 2012-13, and funded by a General Fund loan in the amount of \$1,122,000 in FY 2013-14. As of June 30, 2018, the SSC has repaid \$487,000 of the General Fund loan.

Assembly Bill 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 based upon the number of earned property exposures from both commercial and residential insurance policies, the amount required for the support of the Alfred E. Alquist Seismic Safety Commission, the actual collection and the administrative costs of the department, and the maintenance of an adequate reserve, but shall not exceed fifteen cents (\$0.15) per earned property exposure.

CDI used the annual Complaint Ratio Study (CRS-2018) to determine the number of earned property exposures by company to calculate the total assessment revenue (at \$0.15 per earned property exposure) in the amount of \$1,520,009. The Seismic Safety account has a beginning fund balance of \$148,000, bringing the total 2018-19 resources to \$1,668,009. The total amount required to support the Alfred E. Alquist Seismic Safety Commission in 2018-19, cover the costs of administrative fund disbursements and the General Fund loan repayment is \$1,505,000. CDI projects a year end reserve balance of \$163,009.

Beginning Fund Balance	\$148,000
Seismic Safety Assessment Revenue	<u>\$1,520,009</u>
Total Resources	\$1,668,009
Seismic Safety Commission Expenditures	-\$1,319,000
Fund Disbursements ^{1/}	-\$176,000
General Fund Loan Repayment	<u>-\$10,000</u>
Total Expenses	-\$1,505,000
Reserve Balance	\$163,009

^{1/} Fund disbursements are administrative costs charged directly to the fund.

The FY 2018-19 total assessment is calculated to be \$1,520,009, invoiced at fifteen cents (\$0.15) per earned property exposure. Invoices were mailed to affected insurers in September 2018. Attached is a listing that shows the insurers and its corresponding assessment for FY 2018-19.

This report can be found online at: <http://www.insurance.ca.gov/0400-news/0200-studies-reports/>. To obtain a hard copy of the report please contact Justin Smith, Division Chief, Financial Management Division, at (916) 492-3618.