

**California Department of Insurance
Fiscal Year 2017-18 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, 2017, the SSC has repaid \$407,000 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 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-2017) to determine the number of earned property exposures by company as well as the following amounts for the support of the Alfred E. Alquist Seismic Safety Commission, repayment of the General Fund loan, and the maintenance of an adequate reserve:

Seismic Safety Commission	\$1,272,062
Re-payment to the General Fund	121,000
Prudent Reserve (10%)	<u>127,206</u>
Total Assessment	\$1,520,268

The FY 2017-18 total assessment is calculated to be \$1,520,268, invoiced at fifteen cents (\$0.15) per earned property exposure. Invoices were mailed to affected insurers in August/September 2017. Attached is a listing that shows the insurers and its corresponding assessment for FY 2017-18.

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.