

**CALIFORNIA EARTHQUAKE AUTHORITY
GOVERNING BOARD MEETING
MINUTES**

**Thursday, December 10, 2009
1:00 P.M.**

Location: Joe Serna, Jr. Cal/EPA Headquarters Building
1001 I Street, Sierra Hearing Room
Sacramento, California

Members of the Governing Board in attendance:

J. Clark Kelso, designee of Governor Arnold Schwarzenegger, Chairperson
Peter Conlin, designee of Insurance Commissioner Steve Poizner
Grant Boyken, designee of State Treasurer Bill Lockyer
Deborah Doty, designee of Speaker of the Assembly Karen Bass
Dietrich Stroeh, designee of Chair of the Senate Rules Committee, Darrell Steinberg

Members of the CEA Staff in attendance:

Glenn Pomeroy, Chief Executive Officer
Tim Richison, Chief Financial Officer
Bob Stewart, Chief Operations Officer
Susan Pitton, Governing Board and Advisory Panel Liaison
Danny Marshall, General Counsel

- 1. The meeting was called to order at 1:00 p.m. A quorum was established.**
- 2. Consideration and approval of the minutes of the October 29, 2009, and November 16, 2009, Governing Board meetings.**

MOTION: Mr. Boyken moved approval of the October 29, 2009, Governing Board minutes, and the November 16, 2009, Governing Board minutes; Mr. Conlin seconded the motion. Motion carried unanimously.

- 3. Executive Report by Chief Executive Officer Glenn Pomeroy, assisted by CEA executive staff. Mr. Pomeroy's report will include an update for the Board on federal and state legislative activities of interest to the CEA.**
 - CEO Pomeroy provided a review of the year's issues. Highlights included:
 - The forward movement on the federal COGA legislation (S.886, H.R.4014, and H.R.2555).
 - The CEA's reinsurance program for 2010.

- The development of alternative-insurance-product concepts.
- The progress on the investment-compliance program.
- The highly useful input received from various parties regarding the CEA's mitigation and residential-retrofit programs.
- The development of market-research instruments.
- The success of the First Annual California ShakeOut.
- Important information-systems enhancements that have been implemented by CEA.
- CEA is now ranked as the 135th largest property and casualty insurance company in the country, yet it accomplishes its tasks with only 25 full-time staff.
- Important seismic research has been committed to, including UCERF3 and NGA West-2.

4. Chief Financial Officer Tim Richison will present a financial report.

- Mr. Richison noted that CEA's claim-paying capacity at the end of September 2009 was \$9.5 billion. If interest rates increase over the next year, as apparently is anticipated by many economists, CEA would be in a great position to take advantage of the rate increases, by taking money invested short-term and moving it to longer-term investments at higher gains/ yields.
- Mr. Richison provided a brief update on the economy:
 - Over \$1 trillion of write-downs have occurred recently, including loans that became worthless.
 - The equity mark, many say, hit bottom in March 2009. Since that time, the S&P 500 Index has increased almost 37 percent, a huge increase.
 - Year-to-date Treasury-obligation issuance more than 100 percent higher than 2008.
 - Global bond-issuance (versus corporate-loan) volume has had a huge turn-around.
- The CEA is in better financial shape now than it was 10 years ago and much better than in the first few years of the CEA's existence.

5. CEA Advisory Panel Chair Wayne Coulon will provide a summary of the proceedings at the Panel's two most recent meetings.

- Mr. Coulon said that the Panel has a new member, Mr. Pius Lee, appointed by the Speaker of the Assembly as a member of the public not connected with the insurance industry.
- At its meeting held earlier today, December 10th, the Panel voted to endorse each of the three pieces of legislation (S.886, H.R.2555, and H.R.4014) previously endorsed by the CEA Governing Board.

6. Director of Communications and External Affairs Chris Nance will seek Board approval of a 2009 budget augmentation to support CEA market research.

- Mr. Pomeroy, filling in for Mr. Nance, informed the Board that the budget augmentation is no longer required.

7. Mr. Pomeroy will present the 2010 CEA Business Implementation Plan for Board consideration and approval.

- Mr. Pomeroy noted that the 2010 Business Implementation Plan is consistent with similar plans brought before the Board in previous years.

MOTION: Mr. Boyken moved approval of the 2010 CEA Business Implementation Plan; Mr. Conlin seconded the motion. Motion passed unanimously.

8. In support of the 2010 CEA Business Plan, Mr. Pomeroy and Mr. Richison will present the proposed 2010 CEA budget for Board consideration and approval.

- Item 8 was not heard.

9. Mr. Pomeroy will present the results of his appraisal of Mr. Richison's performance under the CEA executive-performance-evaluation plan.

- Mr. Pomeroy reported that he had completed an annual review of Mr. Richison's performance, noting that he continues to do an outstanding job.
- Mr. Kelso congratulated Mr. Richison for his "CFO of the Year" award and his fine performance appraisal.

10. 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.

- There was no closed session.

11. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.

- There were no questions or comments from the public.

12. Adjournment

- The meeting was adjourned at 1:52 p.m.