

WELCOME

The CEA Advisory Panel Meeting will begin shortly

Tuesday
August 18, 2020
10:00 a.m.



CEA Advisory Panel Meeting

Telephonic Meeting

Dial-in Number: +1 (669) 900-6833

Enter Access code: 882 0106 1160#

ANNOUNCEMENT

CEA staff will provide an overview of the teleconference procedures to be utilized in the conduct of this meeting, in accordance with Executive Order No. N-29-20 issued on March 17, 2020.

ITEM 1

Meeting Call
to Order

Member roll call

Establishment of a quorum

ITEM 2

Approval of
Minutes

Consideration and approval of the minutes of the November 7, 2018, Advisory Panel meeting.

PUBLIC COMMENT

**To participate in Public Comment press *9
and the moderator will unmute you.**

ITEM 3

Approval of
Minutes

Consideration and approval of the minutes of the August 13, 2019, Advisory Panel meeting.

PUBLIC COMMENT

**To participate in Public Comment press *9
and the moderator will unmute you.**



Glenn Pomeroy
Chief Executive Officer

ITEM 4

Executive Report

Executive report by Chief Executive Officer Glenn Pomeroy. Assisted by CEA executive staff, Mr. Pomeroy will update the Panel on current CEA activities and initiatives.

ITEM 4 • Executive Report



Residential Earthquake Insurance

- 1.1 Million Policyholders
- Publicly Managed/Privatey Financed/Not for Profit
- Governed by CEA Governing Board



Residential Earthquake Mitigation Grants

- Pre-1980 Homes/\$3,000 Grant
- Retrofits to date: 11,500
- 2020 Goal: 4,400 Retrofits

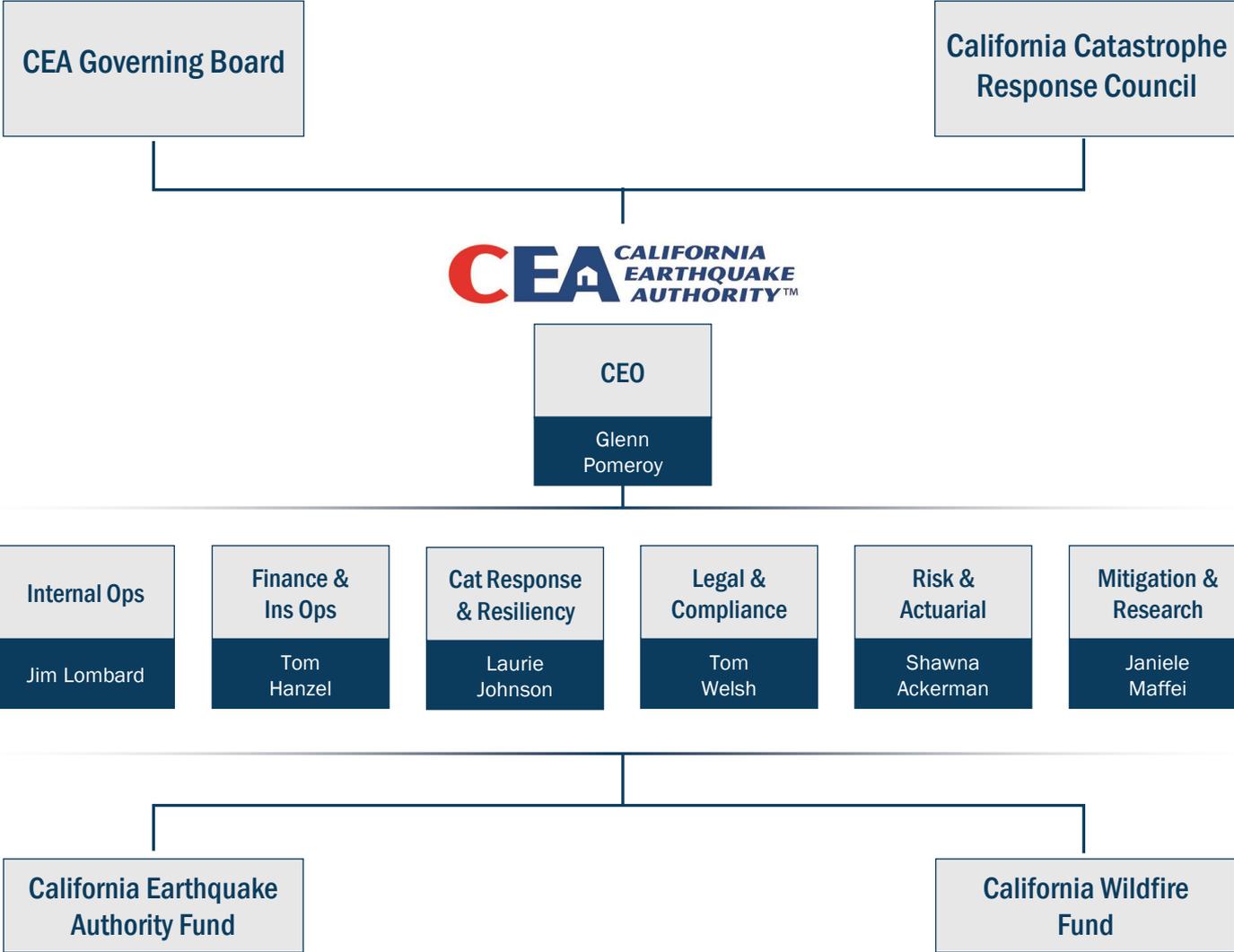


California Wildfire Fund

- Coverage for Wildfires Caused by Investor Utilities
- \$21 Billion Fund
- Overseen by California Catastrophe Response Council

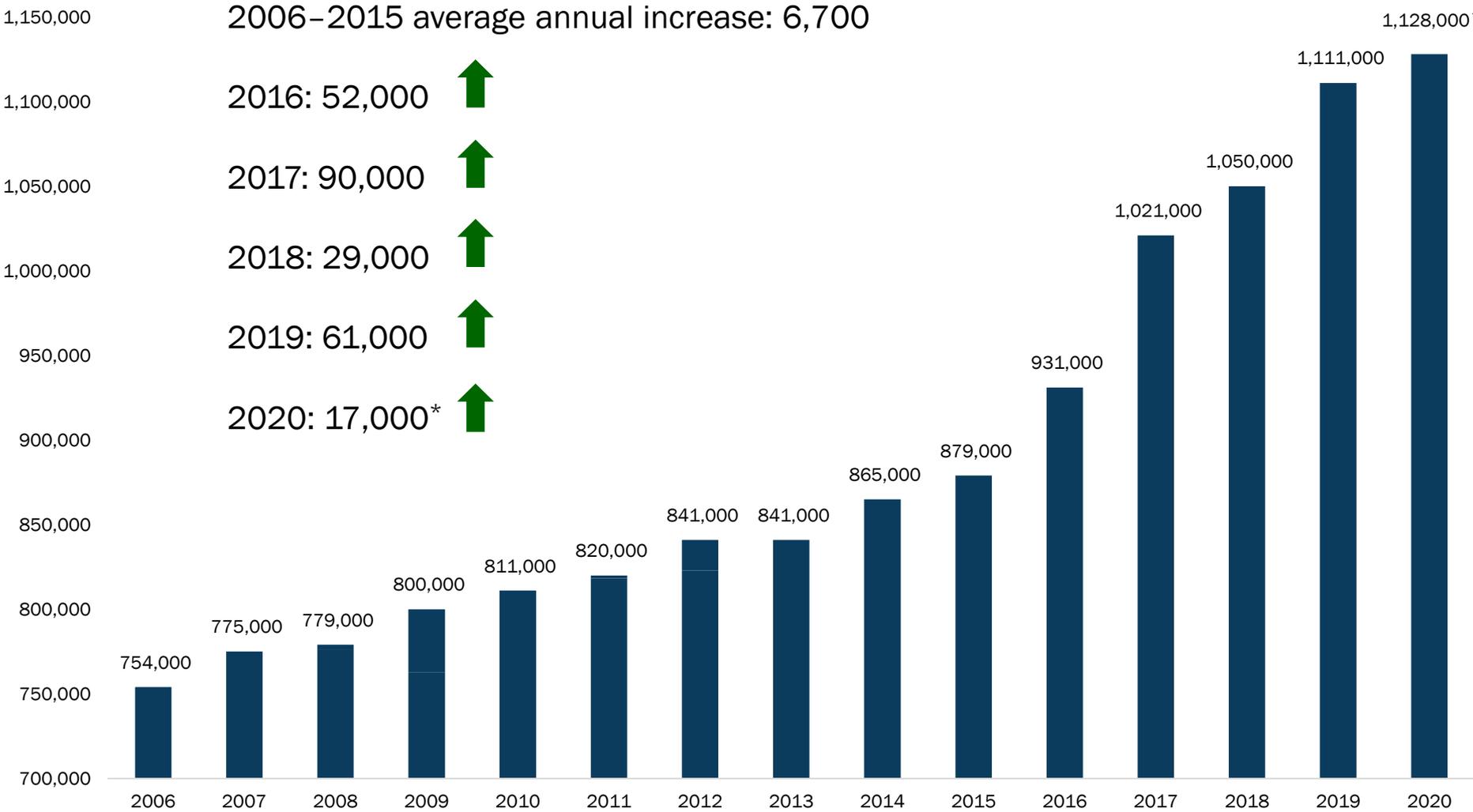
ITEM 4 • Executive Report

Organizational Structure: California Earthquake Authority / Wildfire Fund



ITEM 4 • Executive Report

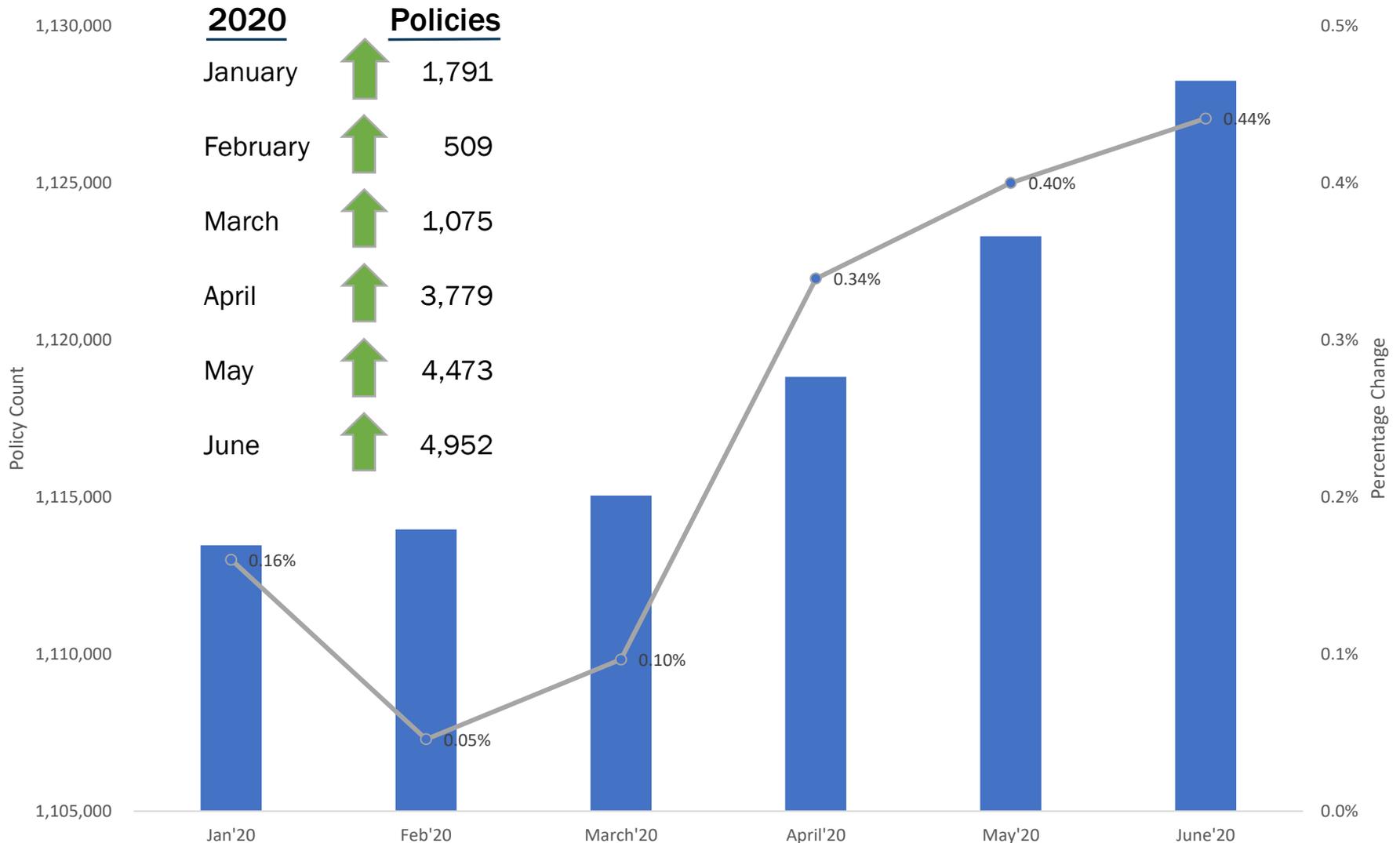
Significant Growth Over Last 5 Years



*as of June 30, 2020

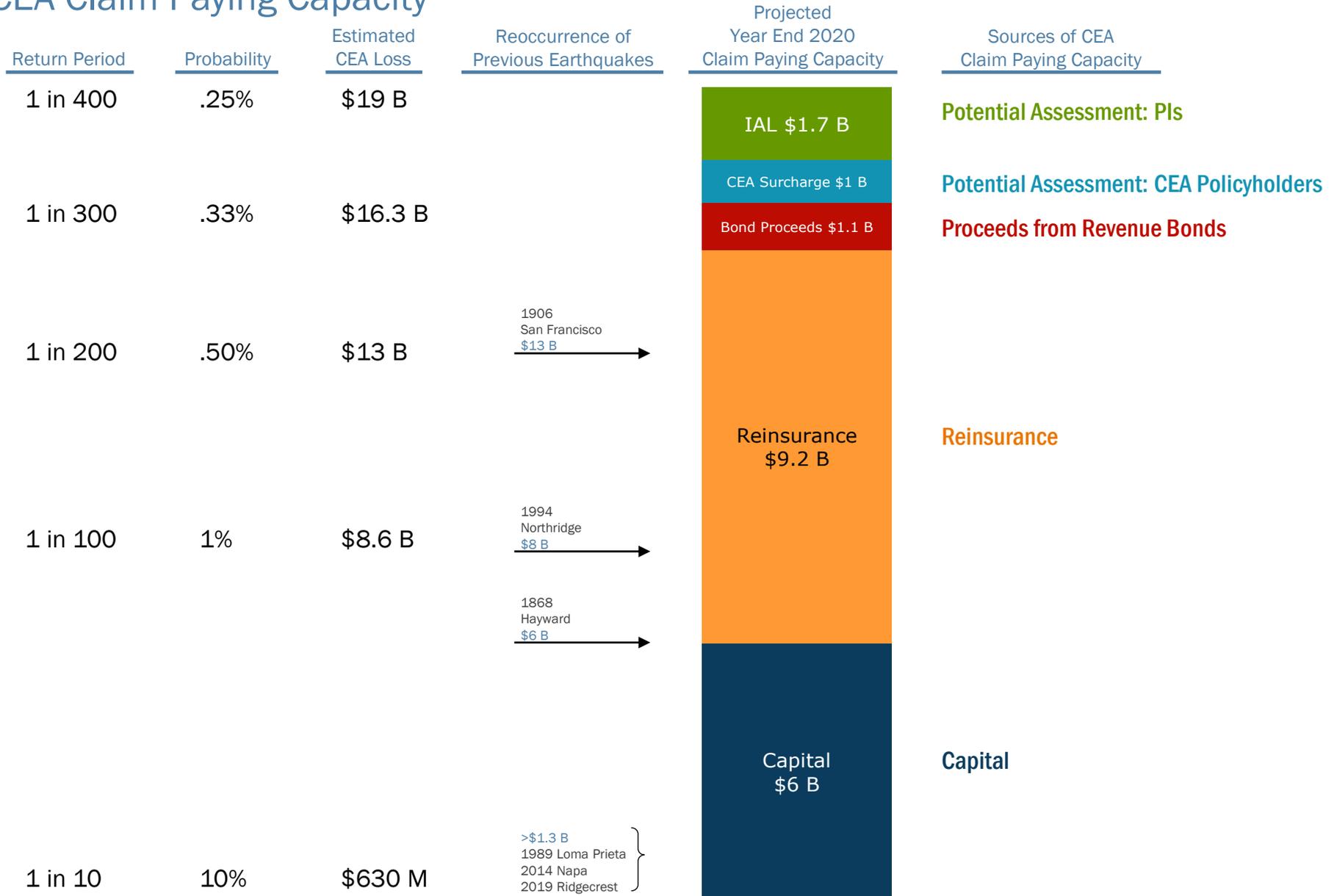
ITEM 6 • CEA Financial Update

Month-over-Month Policies in Force Growth for FY 2020



ITEM 4 • Executive Report

CEA Claim Paying Capacity





Lynda Foster
Agent and Community
Liaison (NorCal)

ITEM 5

Diversity,
Inclusion,
Belonging
Advisory
Council

Agent and Community Liaison Lynda Foster will lead the discussion on CEA's Diversity, Inclusion, Belonging Advisory Council.

DIBAC

Diversity Inclusion & Belonging Advisory Council

ITEM 5 • Diversity, Inclusion, Belonging Advisory Council

DIBAC Members

Co-Chairs



Lynda Foster



Jacqueline Ball



Kwaun Williams



Charlotte Fadipe



Shweta Haight



Douglas Briones



Stephanie Halpin



Sarah Sol



Craig Merry



Erin Rogers



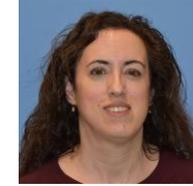
D'Angelo Smith



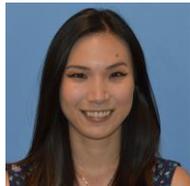
Aeky Summerell



Windy Kahana



Anna Gallardo



Madison Hoang



Angie Ruckle



Daniel Gonzales



Saru Radhakrishnan



Tanya Campbell



Dan Hess

Executive Lead



Sheri Aguirre

Project Manager



Danica Wallin

Business Analyst



Jenny Yanez

ITEM 5 • Diversity, Inclusion, Belonging Advisory Council

Our Vision

Ensure a diverse and inclusive work environment that prioritizes equity, racial justice and belonging for all — through actions, activities, and programs within our company and in our community.

ITEM 5 • Diversity, Inclusion, Belonging Advisory Council

DIBAC Committees

- Internal Education
- Internship and Mentorship
- Employment Practices

ITEM 5 • Diversity, Inclusion, Belonging Advisory Council

Internal Education Committee

Develop and establish an internal educational program that promotes diversity, inclusion and belonging through activities – interactive and educational – to ensure a work environment that prioritizes equity, racial justice and belonging for all.

Quarterly program to include:

- Guest speakers
- Facilitated topic discussions
- Presentation and activities

ITEM 5 • Diversity, Inclusion, Belonging Advisory Council

Internship & Mentorship Committee

Program Priorities

- Extend internship opportunities to vulnerable populations
- Deliver a structured and professional education program to interns as well as valuable support and perspective to CEA employees
- Offer “paid” positions to reduce economic hardship

ITEM 5 • Diversity, Inclusion, Belonging Advisory Council

Employee Practices Committee

Initial areas of focus and review:

- Regular internal training
- Recruitment activities and outreach
- Department diversity

ITEM 5 • Diversity, Inclusion, Belonging Advisory Council

**DIBAC will be ever-changing
and ever-evolving.**



Tom Hanzel
Chief Financial Officer

ITEM 6

CEA Financial Update

Chief Financial Officer & Chief Insurance Operations Officer Tom Hanzel will provide a financial update.

ITEM 6 • CEA Financial Update

5 Year History

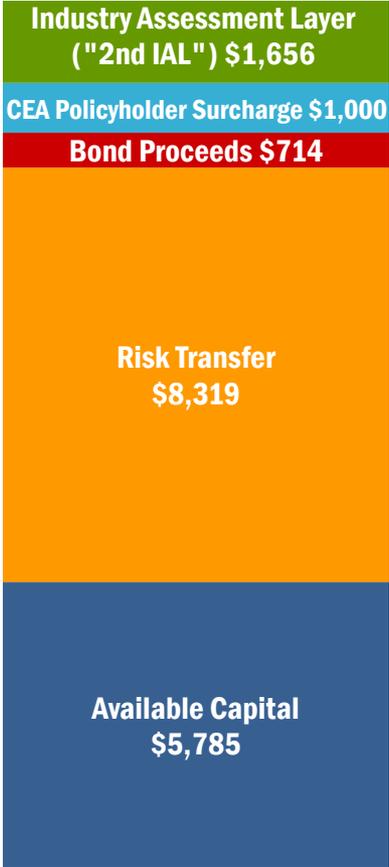
California Earthquake Authority					
5 Year History (As of June 30)					
GASB Basis for All Amounts	2020	2019	2018	2017	2016
Premiums Written	\$422,632,007	\$415,137,095	\$382,402,166	\$325,302,347	\$292,415,462
Net Premiums Earned	203,941,751	212,687,719	170,394,519	167,074,922	219,697,202
Net Underwriting Gain	115,636,077	122,900,920	89,848,157	97,878,525	153,529,251
Investment Income*	60,227,318	61,468,215	46,626,290	38,026,686	29,285,017
Balance Sheet Assets	7,881,310,776	7,069,195,148	6,649,656,112	6,461,962,506	6,268,415,251
Loss and LAE Reserves	1,143,253	187,051	100,939	25,729	723,030
Risk-Transfer Expenses	200,416,628	185,836,393	182,530,781	145,525,023	96,439,101
Total Net Position	7,019,493,746	6,502,299,508	5,978,236,399	5,809,933,037	5,605,763,334
Policy Count	1,128,244	1,057,125	1,047,753	950,393	901,802
Claim Paying Capacity (in Millions)	18,307	17,474	15,951	15,188	12,331

*Unrealized gain/loss is not included in investment income as most investments are held to maturity, and the change from year to year can vary significantly, so it can impact reasonable comparison between years. In addition, this is consistent with statutory reporting, which excludes unrealized gain/loss.

ITEM 6 • CEA Financial Update

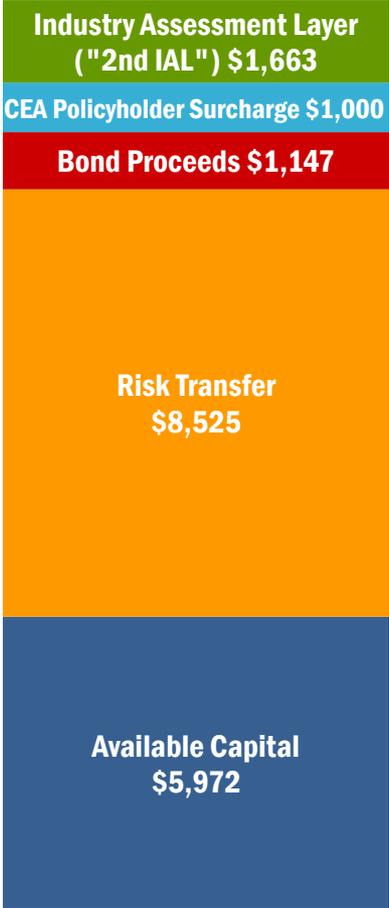
Claim-Paying Capacity

June 30, 2019



Total Capacity **\$17,474M**

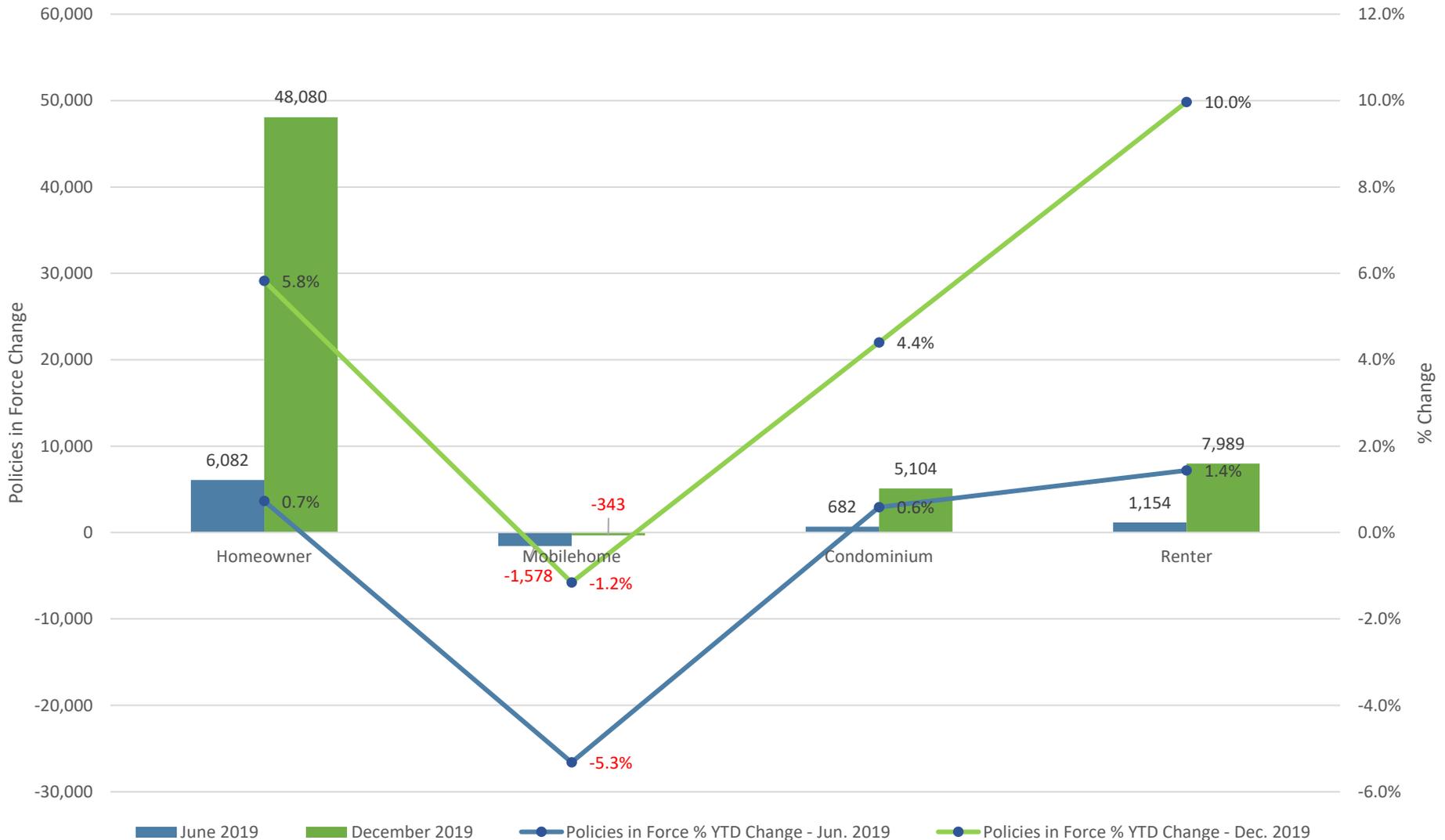
June 30, 2020



Total Capacity **\$18,307M**

ITEM 6 • CEA Financial Update

2019 Policy Growth by Policy Type Pre & Post-Ridgecrest





Shawna Ackerman
Chief Risk &
Actuarial Officer

ITEM 7

CEA's Rate-and-Form Filing

Chief Risk and Actuarial Officer Shawna Ackerman will update the Panel on the CEA's rate-and-form filing.

ITEM 7 • CEA's Rate-and-Form Filing

Background

- CEA rates and forms are subject to the prior approval of the Insurance Commissioner.
- CEA filed a rate and form filing (RFF) with the California Department of Insurance in February 2018 and received approval in November 2018 to implement new rates, phasing in the changes over a three-year period beginning July 1, 2019.
- An overview of the changes is available at EarthquakeAuthority.com/California-Earthquake-Insurance-Policies/Premium-Changes

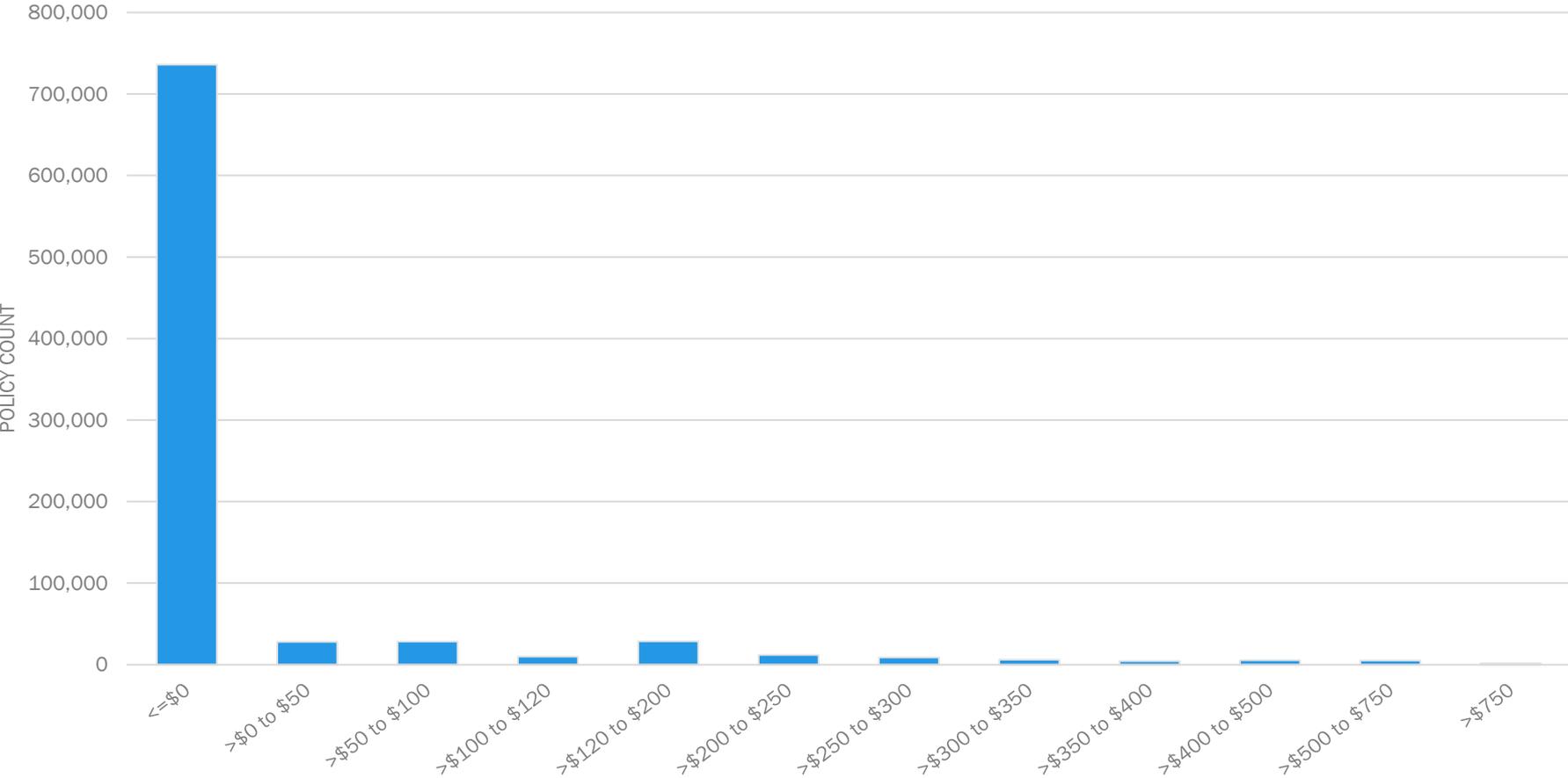
ITEM 7 • CEA's Rate-and-Form Filing

Role of Advisory Panel

- The Advisory Panel is responsible for submitting, to the Board, rates for earthquake loss-assessment coverage for individual condominium units (California Insurance Code section 10089.26(a)(2)).
- Traditionally, CEA staff seeks approval from a subcommittee of the Advisory Panel (Rate Subcommittee) to support the proposed rate and form application and recommend that the application be submitted to the Advisory Panel for its review and required action.
- CEA presents a new rate and form filing approximately every 2 – 4 years due to
 - Changes in the underlying science (e.g. USGS updates)
 - Changes in expenses
 - Changes in products, product options (e.g., new deductibles or limits) or policy conditions (e.g. law changes)

ITEM 7 • CEA's Rate-and-Form Filing

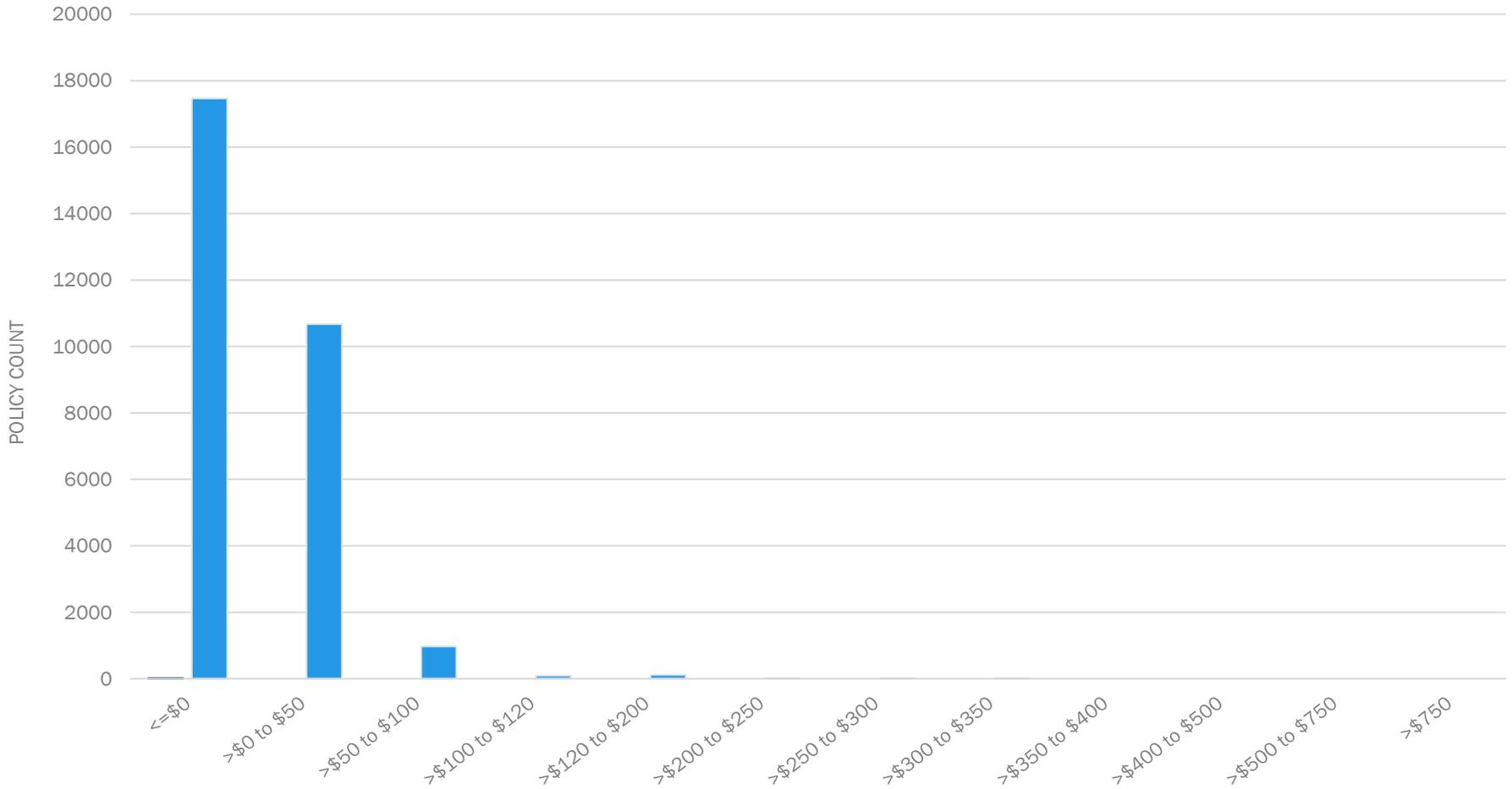
Year 2 Impacts – Annual Premium Changes – Homeowners



Comparisons assume no change in policy conditions (e.g., limits, deductibles or optional coverages) and do not reflect Coverage A increases.

ITEM 7 • CEA's Rate-and-Form Filing

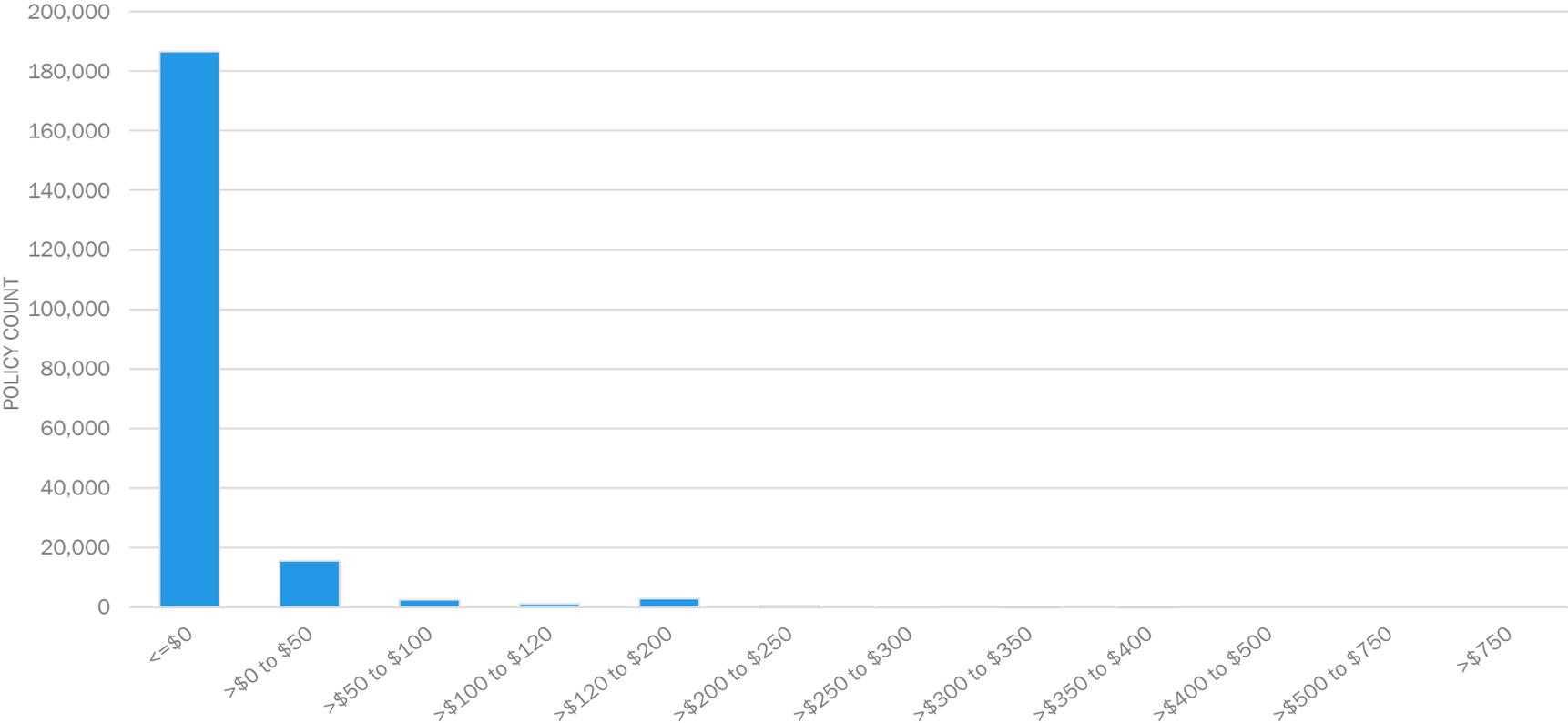
Year 2 Impacts – Annual Premium Changes – Mobilehomeowners



Comparisons assume no change in policy conditions (e.g., limits, deductibles or optional coverages) and do not reflect Coverage A increases.

ITEM 7 • CEA's Rate-and-Form Filing

Year 2 Impacts – Annual Premium Changes – Condos and Renters



Comparisons assume no change in policy conditions (e.g., limits, deductibles or optional coverages).



Laurie Johnson
Chief Catastrophe
Response and
Resiliency Officer

ITEM 8

CEA
Claims
Update

Chief Catastrophe Response and Resiliency Officer Dr. Laurie Johnson will provide a CEA Claims update.

ITEM 8 • CEA Claims Update

Chief Catastrophe Response and Resiliency Officer

CEA Executive Team level responsibility for catastrophe response planning, claim administration and overall enterprise resiliency:

Earthquake Insurance Claim Oversight:

- Post-earthquake claims handling by the CEA participating insurers (PI), ensuring fairness, accuracy and consistency pursuant to CEA claim paying guidelines.
- CEA and PI readiness, including updated CEA organizational response guidelines and training, adjuster/engineering guidelines, annual Claim Manager meeting and other training opportunities.

Wildfire Fund Claim Oversight:

- Development, approval, revisions and implementation of Wildfire Fund claim policies and procedures.
- Build out of the operational structure for Wildfire Fund claim administration.
- Wildfire Fund claim settlement – determination of claim eligibility and reimbursement process.

CEA Post-event Response Management:

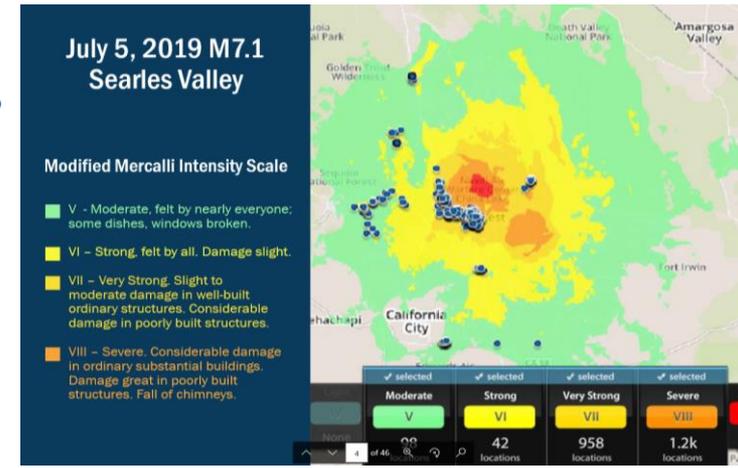
- Incident manager for CEA's organizational response to earthquakes and wildfires.

ITEM 8 • CEA Claims Update

CEA Earthquake Response and Claims Readiness

Ridgecrest 2019 earthquakes:

Opportunity to review organizational readiness with an outside review of claim process (from event occurrence through reimbursement) focusing on all activities performed by CEA.



- CEA is adopting a more “Active” claim management philosophy, providing more policy guidance and ensuring claim handling consistency among the PIs.
- Cross-functional team is reviewing, prioritizing and staffing the implementation of the recommendations.
 - CEA EQ Response Guidelines → Moving to a national/state incident management response framework with functional teams, incident manager and management team, as well as a series of job aids to enhance response staff cross training.
 - Holistic stress testing → Updating and expanding event scenarios, including multiple-event scenarios, and using these to conduct both IT/data testing and personnel exercises.
 - Communication capabilities → Reviewing CEA communication technology and personnel capabilities and procedures.
 - Claim reimbursement review process → Reviewing and enhancing CEA claim reimbursement quality assurance and audit procedures.

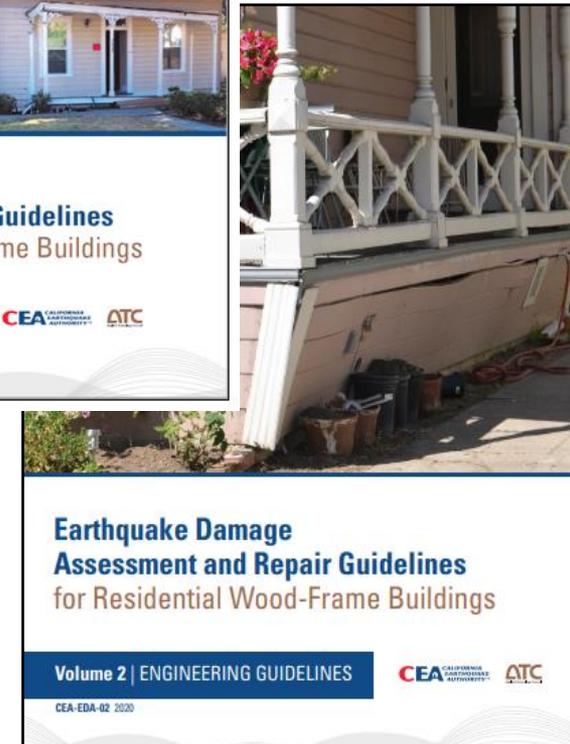
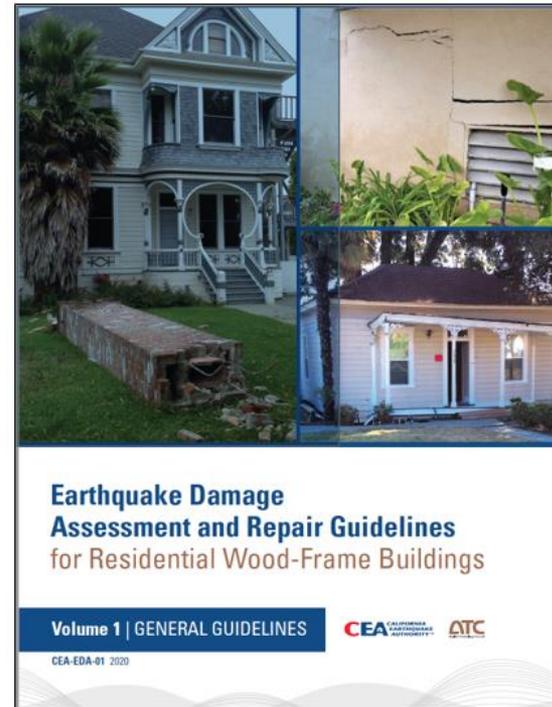
ITEM 8 • CEA Claims Update

New Earthquake Damage Assessment and Repair Guidelines for Adjusters and Engineers

Guidelines released May 2020
(Available on CEA and ATC websites)

Online training available October 2020

- Volume 1 | General Guidelines
 - Updates *CUREE EDA-02, General Guidelines for the Assessment and Repair of Earthquake Damage in Residential Wood-frame Buildings*
 - Intended users: Insurance claim representatives, building contractors, homeowners and others familiar with construction and repair
- Volume 2 | Engineering Guidelines
 - Intended users: Structural and geotechnical engineers and others with relevant technical experience



ITEM 8 • CEA Claims Update

Natural Catastrophe (Nat Cat) Planning Group

Ad hoc group of more than 20 representatives from the CEA, re/insurance industry, and allied entities considering ways to enhance the industry's response and policyholder experience following a catastrophic-level California earthquake.

- Group has met regularly on a bimonthly basis over nearly 4 years, with lengthier annual face-to-face meetings.
- Developing a draft industry response framework, focusing on post-earthquake intelligence gathering, own/shared resources, liaisons services, and communications.
- Developing more formalized governance arrangements to promote industry collaboration within the antitrust constraints and conditions of such an industry group.



Janiele Maffei
Chief Mitigation
Officer

ITEM 9

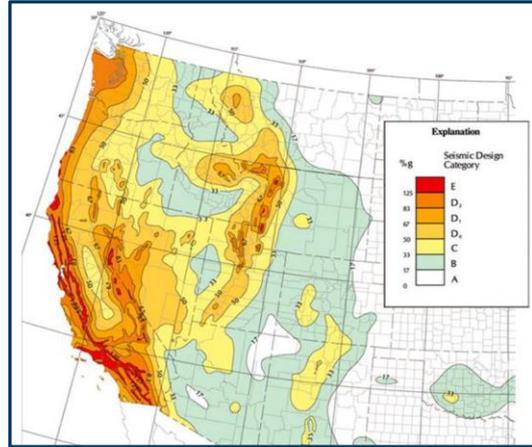
CEA Mitigation and Research Programs

Chief Mitigation Officer Janiele Maffei will update the Advisory Panel on CEA mitigation program projects, including the California Residential Mitigation Program incentive program (CRMP Earthquake Brace + Bolt) and CEA's financial-incentive and mitigation program (CEA Brace + Bolt).

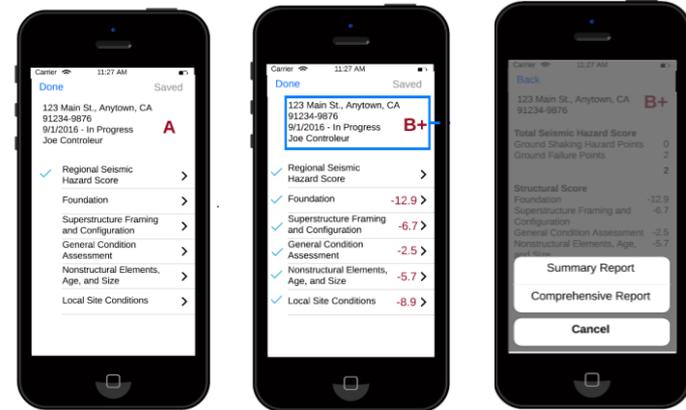
ITEM 9 • CEA Mitigation and Research Programs

CEA Research Providing Answers

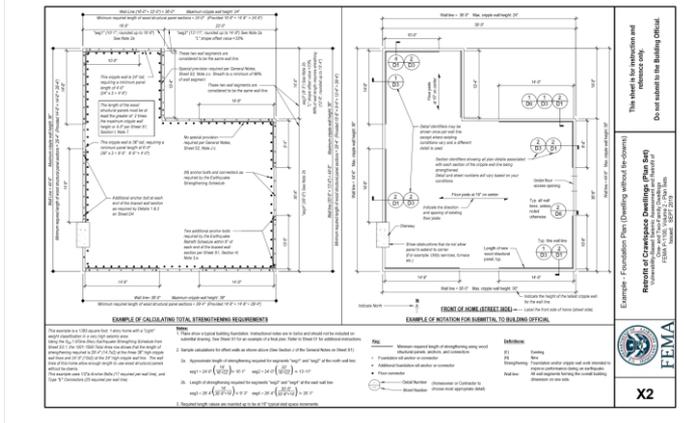
UCERF3 – hazard science funding



QuakeGrade™ – simplified seismic assessment



FEMA P-1100 – plan sets for retrofit



CEA/PEER Project – \$\$ retrofit benefit



Figure 2-95: Cripple wall height given scale with testing team at end of test, Specimen A-13

ITEM 9 • CEA Mitigation and Research Programs

Earthquake Vulnerability:

Four types of earthquake vulnerabilities in single-family houses



Crawlspace



Living-space-over garage



Hillside house



Chimney

ITEM 9 • CEA Mitigation and Research Programs

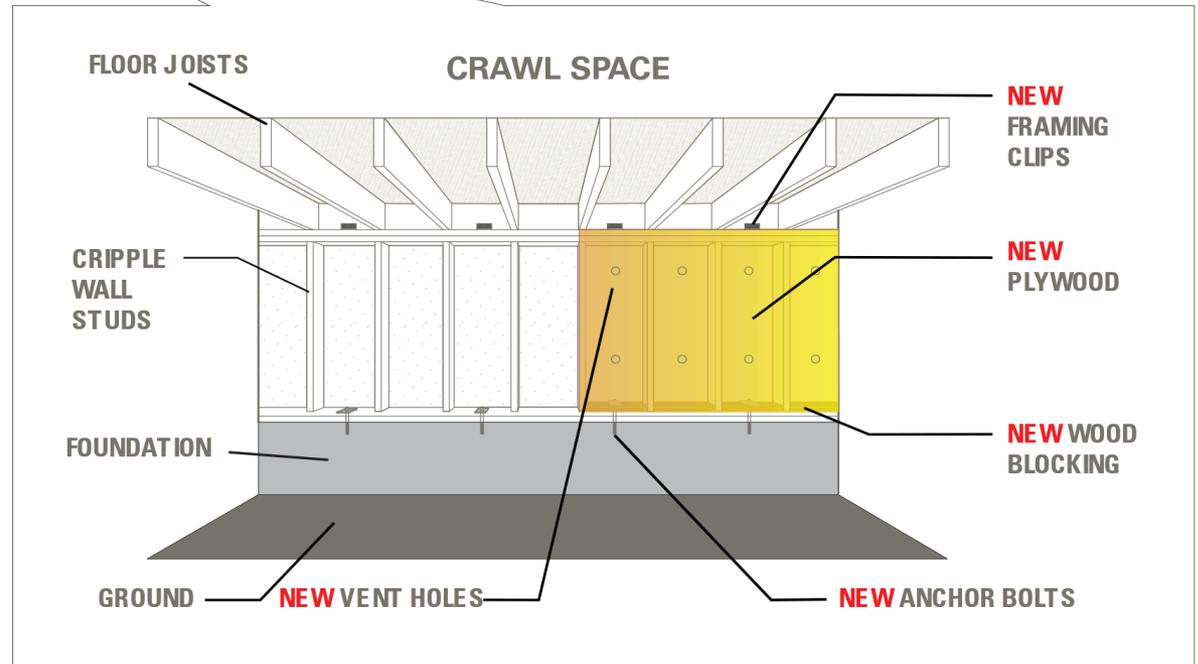
Crawlspace Seismic Vulnerability:

Typical Older House that Requires Retrofit



Crawl space vents:

Several steps to the house



ITEM 9 • CEA Mitigation and Research Programs

Crawlspace Seismic Vulnerability: 2014 M6.0 Napa Earthquake



ITEM 9 • CEA Mitigation and Research Programs

Crawlspace Seismic Vulnerability: 2014 M6.0 Napa Earthquake



ITEM 9 • CEA Mitigation and Research Programs

Crawlspace Seismic Vulnerability:

2014 M6.0 Napa Earthquake



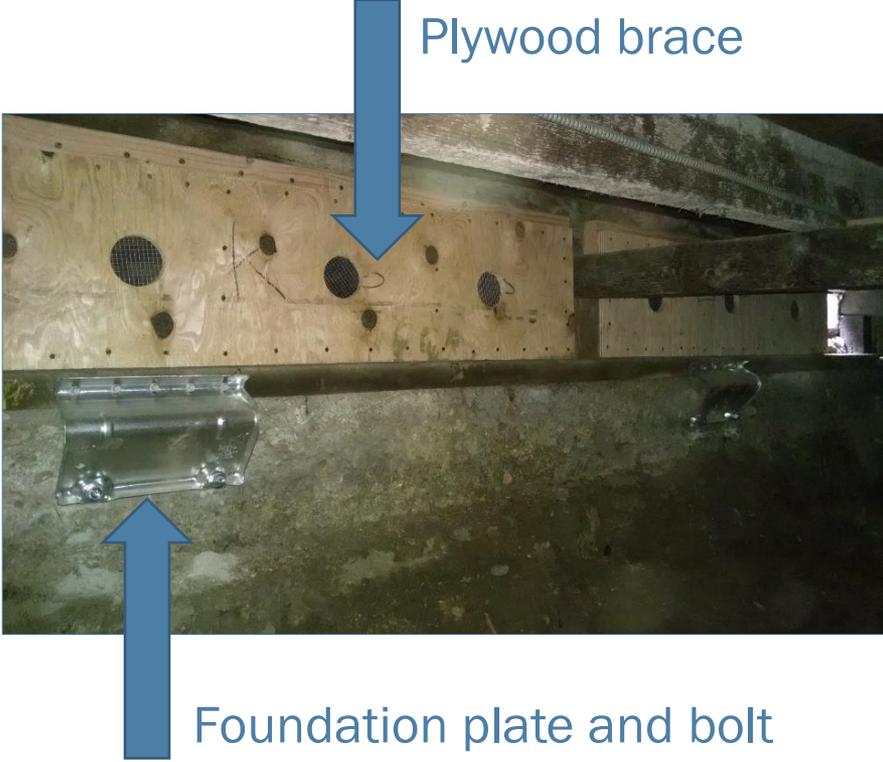
ITEM 9 • CEA Mitigation and Research Programs

Crawlspace Seismic Retrofit

Crawlspace Before Retrofit



Crawlspace After Retrofit



ITEM 9 • CEA Mitigation and Research Programs

H.R. 5494: Catastrophe Loss Mitigation Incentive and Tax Parity Act of 2019

Establishes tax exempt status for grants from state-funded residential mitigation programs for earthquake, windstorm and wildfire.

Sponsor: Rep. Mike Thompson (D, CA)

Co-Sponsors: **California**

Rep. Aguilar (D)

Rep. Bera (D)

Rep. Brownley (D)

Rep. Calvert (R)

Rep. Chu (D)

Rep. Cisneros (D)

Rep. Cook (R)

Rep. Garamendi (D)

Rep. Gomez (D)

Rep. Panetta (D)

Rep. Sanchez (D)

Rep. Speier (D)

Rep. Swalwell (D)

Alabama

Rep. Byrne (R)

Rep. Rogers (R)

Rep. Sewell (D)

South Carolina

Rep. Rice (R)

North Carolina

Rep. Rouzer (R)

Wisconsin

Rep. Moore (D)

Oregon

Rep. Bonamici (D)



**HR 5494 was incorporated
into HR 2 and passed US
House in June**



Sonya Berry
CPP Portfolio
Manager

ITEM 10

CEA's Centralized
Policy Processing
Program (CPP)

CPP Portfolio Manager, Ms. Sonya Berry, will provide a report on CEA's Centralized Policy Processing program (CPP).

ITEM 10 • CEA's Centralized Policy Processing Program (CPP)

Program Overview

History of Centralized Policy Processing (CPP)

- Program Inception & Purpose

Rate and Form Filings

- Without CPP
- Benefits of Using CPP Platform

ITEM 10 • CEA's Centralized Policy Processing Program (CPP)

Program Overview

CEA's Standard Offering

- Software Vendor, Insuresoft
- Policy Administration System Functionality*
 - Quoting/Binding
 - Issue New Business
 - Billing & Accounting
 - Endorsements
 - Reinstatement
 - Cancellations
 - Claims
 - Reports

*Does not represent the entire list of CPP platform functionality

ITEM 10 • CEA's Centralized Policy Processing Program (CPP)

Program Overview

Program Expansion

- Current PI Participation
- Planned Future Growth

Steps to Adopting CPP

- Discovery: Assessment, Demos & Contracts
- Implementation: Project Planning, Requirements Gathering, & Testing
- Go-Live: Cut-Over & Post Go-Live Support

ITEM 11

Future Advisory Panel Meetings

**Advisory Panel Chairman
Mark Simmonds will lead a
discussion regarding future
Advisory Panel meetings.**

PUBLIC COMMENT

ITEM 12

Public Comment

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

To participate in Public Comment press *9 and the moderator will unmute you.



Glenn Pomeroy
Chief Executive Officer

ITEM 13

Closing Remarks

Closing remarks by Mr. Pomeroy.

ITEM 14

Adjournment

Thank you for attending this meeting of the California Earthquake Authority Advisory Panel.

Media Contact

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