

**CALIFORNIA EARTHQUAKE AUTHORITY
GOVERNING BOARD MEETING
MINUTES**

**Monday, July 15, 2019
9:00 a.m.**

Location: California Earthquake Authority
Main Conference Room
801 K Street, Suite 1000
Sacramento, California

Additional Public Location: Lakewood City Hall
Pan American Room
5050 Clark Avenue
Lakewood, California

Members of the Governing Board in attendance:

Mark Ghilarducci, designee of Governor Gavin Newsom, Board Chair

Kasey O'Connor, designee of State Treasurer Fiona Ma

Michael Martinez, designee of Insurance Commissioner Ricardo Lara

Jeffrey Wood, designee of Speaker of the Assembly Anthony Rendon
(via teleconference)

Craig Fry, designee of Chair of the Senate Rules Committee Toni Atkins

Members of the CEA Staff in attendance:

Glenn Pomeroy, Chief Executive Officer

Shawna Ackerman, Chief Actuary

Sheri Aguirre, Strategic Advisor

Janiele Maffei, Chief Mitigation Officer

Michael Melavic, Acting Chief Information Officer

Chris Nance, Chief Communications Officer

Kellie Schneider, Chief Operations Officer

Colby Tunick, Acting Governing Board Liaison

Tom Welsh, General Counsel

Also present:

No members of the public addressed the Governing Board

Preliminary Matters

1. Call to order and member roll call.

Chair Mark Ghilarducci called the meeting to order at 9:08 p.m. A quorum was achieved.

2. Chief Executive Officer Glenn Pomeroy, assisted by CEA staff, will update the Board regarding the July 4th magnitude 6.4 earthquake and subsequent aftershocks near Ridgecrest, California.

Glenn Pomeroy, Chief Executive Officer, provided a summary of the July 4th magnitude 6.4 and 7.1 earthquakes near Ridgecrest and Trona, an area with approximately 2,000 CEA policyholders. He stated he and several staff traveled to the Ridgecrest area the day after the event. He asked Janiele Maffei to share with the board her initial observations.

Janiele Maffei, Chief Mitigation Officer, stated the 6.4 and 7.1 earthquakes occurred on perpendicular faults, which is unusual according to the United States Geological Survey (USGS) and the California Geological Survey (CGS). She stated there were signs of ground fault rupture, cracking in masonry, mobile homes off their foundations, broken water mains, and ruptured gas mains. The last two items can cause further impacts due to damage of contents by water or fire.

Ms. Maffei stated it was notable that there were categories of houses that do well, predominately the construction in Ridgecrest. She showed examples of houses that saw strong shaking with very little damage, even to chimneys. She stated single-family houses, light wood roofs, lots of walls, slab on-grade or stem-wall construction, and flat ground saw very little damage. She stated she did see signs in town of ground movement that the geologists will look at carefully.

Ms. Maffei stated, although Ridgecrest and Trona do not have older cripple wall houses so she was unable to test Earthquake Brace + Bolt (EBB) houses, there were examples of earthquake damage that will inform the CEA research and mitigation programs.

Ms. Maffei stated, even if individuals did not suffer structural damage to their homes, they were highly impacted due to the lack of water and air conditioning.

Mr. Pomeroy summarized the claims response before and after the earthquakes and post-event CEA on-site presence. He asked Chris Nance to report on his department's response.

Chris Nance, Chief Communications Officer, summarized the CEA Communications Department event activation from a few hours to one week post-event for the Ridgecrest Earthquake.

Questions and Discussion

Mr. Wood asked to put Mr. Pomeroy's video message back on Instagram. Mr. Nance stated he would ask the CEA's social media specialists to look into this.

Ms. Maffei stated there is a misconception among agents and brokers that there is a moratorium on selling earthquake policies in the state. This misconception needs to be dispelled quickly.

Chair Ghilarducci asked why some agents and brokers have that misconception. Mr. Pomeroy stated some companies that provide residential insurance put a moratorium in place on the purchase of homeowners' insurance in certain areas from time to time. Agents may assume a moratorium was put in place due to the events but the CEA never puts a moratorium on the sale of new earthquake insurance after an event.

Mr. Fry suggested preparing the media prior to interviews so they ask better questions of Mr. Pomeroy. Mr. Pomeroy stated the Station Initiative is designed to educate the media on earthquake specialist roles and scope of practice.

3. Mr. Pomeroy and General Counsel Tom Welsh will update the Governing Board on legislative activities of interest to the CEA in order to receive Governing Board directives, by way of Resolution, as to any formal positions the CEA should or may take on pending legislation.

Mr. Pomeroy provided an overview, with a slide presentation, of the California Wildfire Fund and CEA's new responsibilities under Assembly Bills (AB) 1054 and 111, current governance structure, and the creation of the California Catastrophe Response Council (Council), which will appoint

and oversee the Wildfire Fund Administrator (WFA). He stated, until the additional members are appointed to make up the Council, the CEA Governing Board will assume and exercise the Council's authorities and duties. Also, until the Council appoints a WFA, the CEA is designated as the interim WFA and will be authorized to exercise the powers of the WFA.

Mr. Pomeroy stated the law was signed last Friday and took effect immediately. He asked Mr. Welsh to describe the steps to implement this law.

Tom Welsh, General Counsel, continued the slide presentation and discussed the governance and administration requirements and implementing the Wildfire Fund. He stated the next step is to promptly notice a meeting of the CEA Governing Board, exercising the powers of the Council. He suggested posting the 48-hour Notice of Meeting later this week or early next week.

4. Mr. Pomeroy will recommend adoption of a resolution authorizing a modification to the CEA Brace + Bolt program, to expand the eligibility requirements for this program while remaining within the original authorized budget as approved at the July 9, 2018, Governing Board meeting.

Mr. Pomeroy summarized the existing policyholder criteria approved at the July 2018 Board meeting and the recommendation to expand program criteria. He asked Sheri Aguirre to discuss the proposed aggressive outreach plan.

Sheri Aguirre, Strategic Advisor, summarized the outreach to policyholders, participating insurance companies, agents, and the media.

Staff recommendation:

- Adjust the CEA BB program parameters as outlined in the staff memorandum to allow those policyholders most impacted by implementation of CEA's current rating program.

Questions and Discussion

Mr. Martinez asked if the hazard reduction discount is a flat 20 percent or is up to 25 percent. Shawna Ackerman, Chief Actuary, stated it is up to 25 percent, depending on age and foundation type of the home.

Mr. Martinez asked where the funding will come from for this expansion. Mr. Pomeroy stated the funding will come out of CEA's available capital.

Mr. Martinez suggested including Congress and the State Legislature representatives as part of the aggressive outreach plan to help get the word out.

Mr. Fry asked where the 50 percent increase in insurance rates comes from. Ms. Ackerman stated the CEA is required by statute to follow the Uniform California Earthquake Rate Forecast (UCERF-3). The rate increases come from a combination of the implementation of the UCERF-3, which is based on the latest available science, and the recognition that there are certain types of buildings that are expected to sustain greater damage. She gave the example that a rating factor relative to roof type has not been implemented and foundation types have been expanded to include the category "other" to allow retrofitted houses to receive a discount.

Mr. Fry stated his concern that a 50 percent increase could drive individuals away from renewing their CEA coverage. Mr. Pomeroy agreed but stated outreach will educate homeowners their rate increases are because that their risk is greater. CEA will also communicate that CEA offers \$3,000 mitigation grants to assist them in retrofitting their homes, which will potentially reduce their premiums by 25 percent.

MOTION: Ms. O'Connor moved approval of the staff recommendation as presented. Mr. Martinez seconded the motion. Motion carried unanimously.

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

There was no public comment.

6. Adjournment.

There being no further business, the meeting was adjourned at 10:06 a.m.