

**CALIFORNIA EARTHQUAKE AUTHORITY  
GOVERNING BOARD MEETING  
MINUTES**

**Wednesday, December 6, 2017  
1:00 p.m.**

Location: CalSTRS Headquarters Building  
Boardroom – Lobby, E-124  
100 Waterfront Place  
West Sacramento, California

Members of the Governing Board in attendance:

Vincent Brown, designee of State Treasurer John Chiang  
Lisbeth Landsman-Smith, designee of Insurance Commissioner Dave Jones  
Jeffrey Wood, designee of Speaker of the Assembly Anthony Rendon

Members of the CEA staff in attendance:

Glenn Pomeroy, Chief Executive Officer  
Shawna Ackerman, Chief Actuary  
Todd Coombes, Chief Insurance and Technology Officer  
Laurie Johnson, Enterprise and Strategic Risk Advisor  
Janiele Maffei, Chief Mitigation Officer  
Carlos Martinez, Governing Board Liaison  
Chris Nance, Chief Communications Officer  
Tim Richison, Chief Financial Officer  
Kellie Schneider, Chief Operations Officer  
Danny Marshall, General Counsel

Also present:

Ross Buckley, Legislative Advocate, Personal Insurance Federation of California

**1. Call to order and member roll call.**

Acting Chair Vincent Brown called the meeting to order at 1:00 p.m. A quorum was achieved.

**2. Consideration and approval of the minutes of the September 20, 2017, CEA Governing Board meeting.**

**MOTION:** Ms. Landsman-Smith moved approval of the September 20, 2017, California Earthquake Authority Governing Board Meeting Minutes, as presented. Mr. Brown seconded. Motion carried unanimously.

**3. Executive Report by Chief Executive Officer Glenn Pomeroy, which will include an update for the Board on legislative activities of interest to the CEA.**

CEO Glenn Pomeroy dedicated this meeting to the memory of Silvia Fong, who passed away suddenly a few weeks ago. Mr. Pomeroy noted she was part of the CEA family for 13 years and will be greatly missed.

Mr. Pomeroy provided a summary of federal legislation, CEA policies in force and policy growth, and CEA assistance given to policyholders in the Northern California fire areas, such as a 90-day grace period on premium payments due and premium refunds.

He announced that the CEA had reached a one-million-policy milestone for the first time in the organization's history.

Mr. Pomeroy stated that Laurie Johnson, Enterprise and Strategic Risk Advisor, had recently been elected President-Elect of the Earthquake Engineering Research Institute (EERI). Mr. Brown congratulated Dr. Johnson on her accomplishment.

Mr. Wood asked if CEA staff tracks policy growth after major events in California. Mr. Pomeroy answered in the affirmative and stated there is almost always a correlation to major catastrophe events and new-policy sales increases.

Mr. Wood suggested contacting brokers in the Northern California fire areas and asking them to offer refunds on earthquake insurance policies up front rather than waiting for policyholders to contact them; it would build rapport for the future. Todd Coombes, Chief Insurance and Technology Officer, stated staff directed participating insurers (PIs) to inform agents to allow refunds.

**4. Chief Financial Officer Tim Richison will present to the Board the quarterly CEA Financial Report.**

Tim Richison, the Chief Financial Officer, provided an overview of CEA financial information as of September 30, 2017. He said that CEA claim-paying capacity was increased since the end of September, commensurate with an number of policies in force.

**5. Mr. Richison will present to the Board the CEA staff's proposed 2018 Risk-Transfer Strategy.**

Mr. Richison presented the background, Board-approved 2017 risk-transfer strategy, and proposed risk-transfer strategy for 2018. He stated the CEA has

moved to multi-year reinsurance contracts for enhanced stability. He stated a 1-in-400-year CEA claim-paying capacity level is appropriate, going forward.

**MOTION:** Ms. Landsman-Smith moved approval of the proposed 12-month CEA Risk-Transfer Strategy for 2018; seconded by Mr. Brown. Motion passed unanimously.

**6. Mr. Pomeroy and Mr. Richison will present the proposed 2018 CEA insurance-services budget for Board consideration and approval.**

Mr. Pomeroy distributed to Board members present a prepared statement on the proposed 2018 CEA insurance-services budget and asked that it be entered into the record. In a presentation, he highlighted areas of the budget for the Board's consideration.

Mr. Richison provided an overview of the budgeted and actual insurance-services expenditures for the 2017 budget year, the proposed 2018 insurance-services budget, and a comparison between the 2017 and 2018 budgets, including the 2017 mid-year budget adjustment. The overall 2018 expenditure will increase by two percent because of research expenditures and the increased expense associated with CEA's level of risk-transfer. He noted that the 2018 regulatory-expenditures item had been increased in anticipation of the Department of Insurance financial audit, which will take place in 2018.

Mr. Brown asked how often the Department of Insurance audits the CEA.

Mr. Richison stated the Department does a financial-audit every four years, in addition to market conduct and claim audits, which are performed periodically but on a different interval.

Staff recommended that the Board take the following actions:

- Approve the proposed 2017 Insurances Services budget as presented; and
- Direct staff to operate CEA business within the total approved budget amounts.

**MOTION:** Ms. Landsman-Smith moved approval of the staff recommendation; seconded by Mr. Brown. Motion passed unanimously.

**7. Chief Operations Officer Kellie Schneider will present performance-management categories to the Board, which will drive the CEA's 2018 metrics reporting.**

Mr. Pomeroy commended Kellie Schneider, Chief Operations Officer, for developing a better way for staff to measure and track CEA goals and strategies.

Ms. Schneider stated that staff had developed performance-management categories that tie directly to the Board-approved strategic plan rather than preparing the traditional business implementation plan. She provided an overview of the metrics for the final 2017 measurement period; strategic goals – Educate, Mitigate, and Insure; new strategic goal – Organizational Resilience;

and the 32-proposed performance-management categories for 2018 CEA metrics reporting.

Mr. Wood asked how the management team would use the chart. Ms. Schneider stated the executive sponsors will report the scores for their assigned performance-management categories before each Board meeting. The CEA Performance Metric Chart with overall scores would then be presented to the Board.

Mr. Wood asked about metrics staff hopes to achieve early or that may be more challenging. Mr. Pomeroy stated all metrics are important and challenging. He noted that CEA policy growth is a metric for the first time so it stands out.

Mr. Wood said he thought the chart was great if it is used regularly. He also asked that acronyms be spelled out to make the chart and presentation more useful for Board members.

**8. Chief Mitigation Officer Janiele Maffei and Mr. Richison will present the proposed 2018 CEA mitigation-program budget for Board consideration and approval.**

Mr. Richison provided an overview of budgeted and actual mitigation-programming-related expenditures for the 2017 budget year, the proposed 2018 Mitigation Budget, and the comparison between the 2017 and 2018 mitigation budgets.

Staff recommended that the Board take the following actions:

- Approve the proposed 2018 Mitigation-Program Budget; and
- Direct staff to operate CEA's mitigation-related activities within the total approved budget amounts.

**MOTION:** Ms. Landsman-Smith moved approval of the staff recommendation; seconded by Mr. Brown. Motion passed unanimously.

**9. Ms. Maffei will update the Board on CEA-mitigation-program projects, including the California Residential Mitigation Program incentive program (CRMP Earthquake Brace + Bolt), CEA's financial incentive and mitigation program (CEA Brace + Bolt), and ongoing mitigation-related research projects.**

Janiele Maffei, Chief Mitigation Officer, presented her report:

- The ATC 110 Earthquake Guidelines Development Project will be completed in the summer of 2018. Staff is working on prescriptive plan sets and a consensus document for the three identified seismic vulnerabilities – sill-plate or cripple-wall, living space over the garage, and hillside houses – and a program to publicize and promote use of the prescriptive plan sets when they are published.
- CEA staff is developing a promotional program for the QuakeGrade Mobile Application Project in partnership with the California Real Estate Inspection

Association (CREIA). QuakeGrade is based on the FEMA P-50 seismic assessment tool that creates a digitized report of seismic risks and vulnerabilities for homeowners.

The CRMP Earthquake Brace + Bolt Program (EBB)

- The goal of 2,000 houses retrofitted in 2017 is expected to be exceeded.
- The 2018 goal is to retrofit an additional 2,000 houses.
- The 2018 program will use CEA loss mitigation funds only.
- The CEA applied for another FEMA subgrant to fund 1,000 retrofits beginning late February or early March of 2018.

The Napa Earthquake Brace + Bolt (Napa EBB)

- The FEMA-funded Napa program is coming to a close.
- The 2017 goal for 100 homes retrofitted will not be met.

The CEA Brace + Bolt Program (CEA BB)

- CEA policyholders in 10 ZIP Codes can participate in this new program.
- 60 retrofits were completed in this program.
- Staff is considering different delivery systems, a crawlspace-inspection service, and a centralized contractor management system to increase participation in the program.

Mr. Wood stated he liked that ATC 110 will provide homeowners with more information; the CEA will be looked to as a resource. He asked if FEMA funding will be available in light of the recent disasters. Ms. Maffei stated the funding for the Hazard Mitigation Grant Program is based on *previous* Presidential disaster declarations. Grant funding currently available is based on 2016 disasters. The fires this year will likely be connected with FEMA grants for 2019.

Ms. Landsman-Smith asked how many more houses would benefit from a seismic retrofit. Ms. Maffei stated that there are more than 1.2 million houses that could be retrofitted.

Ms. Landsman-Smith asked what the next vulnerability focus will be for CEA mitigation activities. Ms. Maffei said that living space over garage will come after cripple walls and sill-plate anchorage. Hillside houses tend to be unique and generally require an engineer to guide or design a retrofit.

Mr. Wood asked if an individual can complete a retrofit on their house before becoming a policyholder and still qualify for a CEA premium discount. Ms. Maffei stated the CEA has made a verification form available on its website, completion of which requires a signature of an engineer or a contractor to verify the retrofit in an instance such as Mr. Wood described.

**10. Ms. Maffei will update the Board on the CEA Research Program.**

Ms. Maffei said Mitigation Department staff is working with the CEA Legal Department and had contacted a number of universities to learn how to make it easier for students and professors to apply for grants. She stated the CEA-PEER cripple-wall-mitigation project team is working with the ATC 110 team. Photographs of the testing will be presented at the next Board meeting.

**11. Ms. Maffei will seek Board approval of a proposed contract with the Applied Technology Council, which will coordinate and manage an important update to the current Consortium of Universities for Research in Earthquake Engineering (“CUREE”) Guidelines.**

Ms. Maffei briefly summarized the background, purpose, and the Request for Proposals (RFP) and interview process engaged in to update the General Guidelines for the Assessment and Repair of Earthquake Damage in Residential Woodframe Buildings document and create companion engineering-guidelines. One proposal had been received. She stated staff had formally approved seeking a sole-source contract with the Applied Technology Council (ATC), based on CEA’s sole-source criteria having been met.

Mr. Brown asked Danny Marshall, General Counsel, about the sole-source process. Mr. Marshall stated that receipt of a single response to a formal procurement is treated as “defective,” but that the procurement and contracting process could continue if it is justified formally as a sole-source procurement under CEA’s applicable rules—that is what had happened in this instance.

Staff recommends that the Board authorize:

- CEA staff to commence the process of negotiating an agreement with the Applied Technology Council to update the current CUREE guidelines and develop companion engineering guidelines.
- CEO Glenn Pomeroy or his designee to conduct the negotiation and execute the contract on behalf of the CEA.

**MOTION:** Ms. Landsman-Smith moved approval of the staff recommendation; seconded by Mr. Brown. Motion passed unanimously.

**12. Ms. Maffei will update the Board on CEA’s progress in establishing a nonprofit charitable foundation, whose functions would include receiving contributions and disbursing accumulated funds for clearly-defined grant programs and other appropriate mitigation-related purposes.**

Ms. Maffei provided an overview of the background, purpose, progress to date, and next steps of creating a nonprofit charitable foundation to serve as a source of additional funding for mitigation-related projects.

**13. Chief Insurance and Technology Officer Todd Coombes will report to the Board on CEA insurance and information-technology initiatives.**

Todd Coombes, Chief Insurance and Technology Officer, provided an overview of insurance education and sales support, insurance operations, and information technology initiatives and activities. He pointed out that the one-million-policy milestone was spread across all PIs and territories. He stated metrics for policies in force in greater detail are included in the meeting packet.

Mr. Brown asked if there is a separate test environment before putting a system into production. Mr. Coombes stated changes and updates go through development, quality assurance, user acceptance, and production test environments. The Model Office is available for PIs and other external users to try things out before they are produced.

Mr. Wood referred to Slide 69, the Information Desk Case Overview, and asked whether policyholder contacts were claim-, cost-, or renewal-related. Mr. Coombes said half of the contacts are policyholders who call the CEA with service questions, and the metric gathered created an opportunity for improvement. Answering questions about CEA policies is a function delegated to the PIs, so policyholders who call in with questions are directed to their PIs. Staff is looking for ways to lower the number of calls received for policyholder questions, such as by creating policyholder portals on CEA websites.

Mr. Wood asked if there will be changes made to the quoting application on the website. Mr. Coombes stated it will keep its functionality, but subtle changes and improvements are being made to the way the functionality is communicated, such as in the comparisons of one quote to another or how they are printed and emailed.

**14. Chief Actuary Shawna Ackerman will update the Board on staff's progress on the proposed 2019 CEA rate and form filing.**

Shawna Ackerman, Chief Actuary, provided an overview of the background, analysis, and adjusted timeline of the next CEA rate and form filing. She stated that, although she had expected the filing to be ready by December 2017, it would not be ready until January or February 2018, with an expected implementation date of January 1, 2019. She stated this rate and form filing will be focused more on the rate structure and have limited form changes.

Mr. Wood asked if the CEA Advisory Panel must approve the rate and form filing. Ms. Ackerman stated it is statutorily mandated that the Panel approve the Condominium Loss Assessment rates. The Advisory Panel, which has on its roster some subject matter experts, traditionally reviews a CEA rate and form filing before its presentation to the Board.

Public Comment

Ross Buckley, Legislative Advocate, Personal Insurance Federation of California (PIFC), stated his appreciation for the transparency and advanced notice for the next rate and form filing. He stated the PIFC membership has expressed concern

with the January 1, 2019, implementation date due to what PIFC considered a highly condensed timeline and approval process required in 2018. He stated he looks forward to working with the CEA throughout the coming year.

**15. Chief Communications Officer Chris Nance will recap CEA's 2017 advertising campaign and discuss CEA's participation in support of the October 2017 *Great California ShakeOut*.**

Chris Nance, Chief Communications Officer, provided an overview of the CEA's marketing formula, background, and analysis of the 2017 program results from the CEA Communications and External Affairs team. He showed a video clip as an example of earthquake preparedness stories used in broadcasting, where no word is wasted and what is said last is most memorable.

Mr. Wood asked if the story with Jessica in Los Angeles on KNBC is considered a paid or public service spot. Mr. Nance stated it is called value-added programming. The CEA does not pay separately for that spot—it is available through what he termed a spirit of partnership by the CEA's paid advertising partners.

Mr. Wood asked about the difference between earned and paid messages. Mr. Nance stated the CEA has control over paid messages. Earned media is the opposite – the CEA has to earn the opportunity to be considered relevant in the news of that day.

Mr. Wood asked about the difference between the examples on Slide 82 where one is tagged @CalQuake with the CEA logo and the other one is tagged California Earthquake Authority with the KABC7 logo. Mr. Nance stated @CalQuake is the CEA's Twitter handle and California Earthquake Authority is the CEA's Facebook page. The CEA is not yet on Instagram.

**16. Enterprise & Strategic Risk Advisor Laurie Johnson will update the Board on CEA enterprise-risk-management-program planning and progress.**

Laurie Johnson, Enterprise and Strategic Risk Advisor, provided an overview of the priority risks, risk-management process completion status, framework and progress to date, and next steps in developing the CEA Enterprise Risk Management (ERM) Framework and Program Plan. She stated the ERM team has been focused in the past quarter on developing a risk-monitoring and reporting plan and developing dashboard analytics to allow the CEA ERM to move into a more operational state, reporting on the management of checkpoints and limits, and what to do in response to those when they are reached.

Mr. Pomeroy stated the insurance regulator and rating agencies are pleased that the ERM Framework is being developed consistent with the Own Risk and Solvency Assessment (ORSA) guidelines.

**17. Mr. Pomeroy will present for Board consideration and approval the 2018 Governing Board meeting calendar.**

Mr. Pomeroy presented the 2018 Calendar, which was included in the meeting

packet.

**18. 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.

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

There was no additional public comment.

**20. Adjournment.**

There being no further business, the meeting was adjourned at 2:53 p.m.