

**CALIFORNIA EARTHQUAKE AUTHORITY
GOVERNING BOARD MEETING
MINUTES**

**Thursday, January 25, 2018
10:00 a.m.**

Location: California Department of Food and Agriculture
Auditorium, Room 130
1220 N Street
Sacramento, California

Members of the Governing Board in attendance:

Mark Ghilarducci, designee of Governor Edmund G. Brown, Jr., Board Chair
Vincent Brown, designee of State Treasurer John Chiang
Kenneth Schnoll, designee of Insurance Commissioner Dave Jones

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
Carlos Martinez, Governing Board Liaison
Chris Nance, Chief Communications Officer
Tim Richison, Chief Financial Officer
Danny Marshall, General Counsel

Also present:

No members of the public addressed the Governing Board

1. Call to order and member roll call.

Chair Mark Ghilarducci called the meeting to order at 11:04 a.m. A quorum was achieved.

2. Executive Report to the Governing Board by Chief Executive Officer Glenn Pomeroy, which will include an update for the Board on legislative activities of interest to the CEA, including a potential legislative initiative to strengthen CEA's insuring capacity and establish resiliency initiatives.

Glenn Pomeroy, the Chief Executive Officer, provided a summary of the CEA claim-paying capacity, policy growth, and the challenges of balancing costs associated with policy growth with insurance affordability. He introduced a concept solution that will allow the CEA to achieve its claim-paying capability

through two assessments, one on CEA policyholders and one on a broad base of property and casualty policies in California. Stakeholder workshops are scheduled to work on related issues, and a bill draft will come before the Governing Board at a later date.

3. On behalf of the CEA executive staff, Chief Actuary Shawna Ackerman will present to the Board, for its consideration and approval, proposed modifications to the CEA-earthquake-insurance rating plan, policy forms, and coverages.

Shawna Ackerman, Chief Actuary, provided an overview of proposed changes expected to be part of the next CEA rate and form filing, to be submitted to the Insurance Commissioner, and intended to be implemented starting January 1, 2019.

- Expand the hazard mitigation discount
 - Expand the verified hazard reduction discount to pre-1980
 - Expand the discount to combination type foundations
 - Increase the largest discount from 20 percent to 25 percent
 - Remove the current self-verified 5 percent discount
- Implement additional rating factors and refine territory rate structure
 - Model changes represent a change in the underlying science
 - Introduce roof type as a rating factor
 - Phase in rate changes over a three-year period
- Provide the Department of Insurance with a new set of policy forms

Staff recommendation was:

1. Approve the proposed rate-and-form application, including the new CEA Rate Manual, the revised CEA Earthquake Insurance Application, and a new edition of each of the CEA's residential earthquake insurance policy forms; and
2. Authorize CEA staff to submit the complete application and attachments to the Insurance Commissioner for consideration and approval.

MOTION: Mr. Brown moved approval of the staff recommendation as presented. Mr. Schnoll seconded. Motion carried unanimously.

4. 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.

The Board adjourned into closed session. No action was announced as having been taken.

As approved by the CEA Governing Board at its meeting on Wednesday, March 14, 2018

5. Public comment 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 11:35 a.m.