

**CALIFORNIA EARTHQUAKE AUTHORITY  
GOVERNING BOARD MEETING  
MINUTES**

**Wednesday, December 14, 2016  
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:

Mark Ghilarducci, designee of Governor Edmund G. Brown, Jr., Board Chair  
Vincent Brown, designee of State Treasurer John Chiang  
Chris Shultz, designee of Insurance Commissioner Dave Jones  
Dietrich Stroeh, designee of Chair of the Senate Rules Committee Kevin de León  
George Wiley, 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 Information Officer  
Laurie Johnson, Enterprise and Strategic Risk Advisor  
Janiele Maffei, Chief Mitigation Officer  
Chris Nance, Chief Communications Officer  
Tim Richison, Chief Financial Officer  
Kellie Schneider, Chief Administrative Officer  
Carlos Martinez, Governing Board Liaison  
Danny Marshall, General Counsel

Also present:

No invitees or members of the public addressed the Board.

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

The meeting was called to order at 12:58 p.m. A quorum was achieved.

**2. Consideration and approval of the minutes of the September 14, 2016, CEA Governing Board meeting.**

**MOTION:** Mr. Shultz moved approval of the September 14, 2016, 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.**

Glenn Pomeroy, the Chief Executive Officer, presented his report:

Legislation (federal)

- Legislation to make Earthquake Brace + Bolt grants not subject to federal income tax will be reintroduced next Congressional session.

Insurance

- The CEA policy base is expected to experience historic organic growth in 2016, increasing by a net of approximately 50,000.

Education

- The CEA is working with the banking and mortgage industry to promote awareness at the point of mortgage origination of the availability of, and need for, earthquake insurance and structural retrofitting.

December 2016 marks the 20<sup>th</sup> anniversary of the CEA. Mr. Pomeroy summarized the highlights and accomplishments of the CEA since its inception and thanked Tim Richison, Chief Financial Officer, and Danny Marshall, General Counsel, for their contributions over the years. Staff put together a 20<sup>th</sup> anniversary booklet of accomplishments to be given to partners and stakeholders, a hard copy of which was included in each packet assembled for today's meeting.

Mr. Ghilarducci congratulated staff and read a formal letter from Governor Jerry Brown, commending the CEA on its 20<sup>th</sup> anniversary of operations.

**4. Chief Financial Officer Tim Richison will present to the Board the CEA financial report.**

Tim Richison, Chief Financial Officer, provided an overview of CEA financial information as of September 30, 2016, including the following highlights:

- The total funds held by CEA were \$6.2 billion, with \$5.3 billion recorded as available capital, as of September 30, 2016.
- A CEA-sponsored transformer-reinsurance transaction valued at a limit of \$500 million was recently placed into the capital markets, taking effect as of December 1, 2016.
- The CEA total Risk-Transfer-Program limit, showing approximately \$4.7 billion as of September 30, 2016, is now well over \$5 billion, and it is expected to reach well over \$6 billion by the end of January 2017.

**5. Mr. Richison will present to the Board the CEA's 2017 Risk-Transfer Strategy.**

Mr. Richison reviewed the Board-approved 2016 risk-transfer strategy and presented a proposed risk-transfer strategy for 2017, which would change CEA's

claim-paying-capacity level to a minimum of 1-in-400 years and a maximum of 1-in-550 years.

**MOTION:** Mr. Shultz moved approval of the proposed 12-month CEA risk-transfer strategy for 2017; seconded by Mr. Brown. Motion passed unanimously.

**6. Chief Information Officer Todd Coombes will give a progress report to the Board on the 2016 CEA information technology (IT) initiatives and project portfolio, and will seek Board approval for planned 2017 CEA IT initiatives and for the corresponding 2017 IT Project Portfolio.**

Todd Coombes, Chief Information Officer, provided an overview of the 2016 CEA IT Project Portfolio, including changes throughout 2016 and related expenditures, and the proposed 2017 CEA IT Project Portfolio.

Mr. Coombes also noted that, with Board acceptance, he would change the IT portfolio system to depict a “continuous” portfolio, with projects still in progress at year-end allowed to move from year to the next, rendering unnecessary the step of closing out the portfolio each year.

**MOTION:** Mr. Shultz moved approval to fund the (non-statutory) expense of external contract labor for the 2017 CEA IT Project Portfolio, in accordance with the 2017 CEA budget, in an amount not to exceed \$1,400,000; seconded by Mr. Brown. Motion passed unanimously.

**7. Mr. Coombes will update the Board on progress of the CEA’s centralized policy processing (CPP) program.**

Mr. Coombes provided an overview of 2016 CPP-related accomplishments, including CPP’s current status and highlights of the CEA’s first annual symposium for CPP implementation. He said participating-insurer (“PI”) demand for adopting and accessing the CPP Diamond platform is higher than expected, with over half of CEA’s PIs interested in implementing the program as soon as possible.

**8. Mr. Coombes will present to the Board a proposal to accelerate Insuresoft “Diamond” implementations, to allow more rapid implementation of the CEA’s CPP initiative, seeking approval for both funding and contracting.**

Mr. Coombes provided an overview of the background, requirements, solution concept, automated utilities, and enhanced processes to accelerate Insuresoft’s implementation of the CPP Diamond platform, including related technical assistance, approach, and financial considerations.

Mr. Brown asked if the CEA would be the “beta tester” for the Insuresoft implementation approach. Mr. Coombes said the work is today done manually, while the new and recommended accelerated approach would automate that work.

Mr. Brown asked if the proposed implementation would “stack” the PIs or roll out their respective implementations sequentially. Mr. Coombes stated the new approach will allow each PI to work independently to choose when to implement.

**MOTION:** Mr. Brown moved approval of the approach and authorized the funding of the CPP Diamond Implementation Acceleration project in the amount of \$2.5 million and additional CPP Diamond standard-offering transition services for \$25,000 per implementation and \$5 per policy, and approved related contract negotiations and execution by CEO Glenn Pomeroy; seconded by Mr. Shultz. Motion passed unanimously.

**9. Mr. Pomeroy will propose the direct CEA-contract-executive hire of Kellie Schneider, presently serving CEA as chief administrative officer, in a new role of chief operations officer, with responsibility for administration and management of CEA’s non-insurance operating environment.**

Mr. Pomeroy told the Board that Bob Stewart, CEA’s long-time Chief Operating Officer, will be retiring at the end of January 2017. Mr. Pomeroy said he had asked Mr. Coombes to take over the insurance-operations component of Mr. Stewart’s responsibilities and that he proposed promoting Kellie Schneider, presently CEA’s Chief Administrative Officer, to Chief Operating Officer and expanding her responsibilities to add Mr. Stewart’s non-insurance-related operational programs to her current duties.

**MOTION:** Mr. Shultz moved to authorize CEO Glenn Pomeroy to execute an employment contract with Kellie Schneider to serve as CEA Chief Operations Officer and to retain her functional responsibilities with new leadership responsibilities including human resources, facilities management, internal policies and procedures, enterprise project management, training, executive budget review, and enterprise procurement services; seconded by Mr. Brown. Motion passed unanimously.

**10. Mr. Pomeroy will present the 2017 CEA Business Implementation Plan for Board consideration and approval.**

Mr. Pomeroy presented the 2017 CEA Business Implementation Plan to the Board for its review.

**11. Mr. Pomeroy and Mr. Richison will present the 2017 CEA insurance-services budget for Board consideration and approval.**

Mr. Pomeroy distributed his prepared statement on the proposed 2017 CEA Insurance Services Budget to the Board for its review and asked that it be entered into the record. He highlighted areas of the budget for the Board’s consideration.

Mr. Richison provided a slide-illustrated overview of the budgeted and actual Insurance Services expenditures for the 2016 budget year, the proposed 2017 Insurance Services Budget, and a comparison between 2016 and 2017 budgets.

Mr. Shultz asked about the \$12 million for the CEA EBB Program. Mr. Richison said that sum would be rolled over to 2017 because grant funds have yet to be received and that that sum is included to show when those funds have been spent.

Recommendation

CEA staff recommends the following Board actions:

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

**MOTION:** Mr. Shultz moved approval of the staff recommendation; seconded by Mr. Brown. Motion passed unanimously.

**12. Chief Mitigation Officer Janiele Maffei and Mr. Richison will present the 2017 CEA mitigation-program budget for Board consideration and approval.**

Mr. Richison provided an overview of budgeted and actual mitigation-programming-related expenditures for the 2016 budget year, the proposed 2017 Mitigation Budget, and the comparison between the 2016 and 2017 budgets.

Mr. Shultz noted that the Legislature appropriated \$3 million in each of the last two years for additional retrofit grants to homeowners.

Recommendation

CEA staff recommends the following Board actions:

- Approve the proposed 2017 mitigation budget; and
- Direct staff to operate CEA's mitigation-related business activities within the approved budget amounts.

**MOTION:** Mr. Shultz moved approval of the staff recommendation; seconded by Mr. Brown. Motion passed unanimously.

**13. 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, the Chief Mitigation Officer, presented her report:

The ATC 110 Earthquake Guidelines Development Project will be completed in summer 2018.

The QuakeGrade Mobile Application Project, which is based the FEMA P-50 assessment tool to create a digitized report of seismic risks and vulnerabilities for homeowners, will be up on the CEA website in early 2017.

The South Napa Earthquake After-Event Study Report, by Dr. Sharyl Rabinovici, will be presented at the CEA Research Forum in February.

The CRMP Earthquake Brace + Bolt Program (EBB)

- Approximately 1,000 homeowner EBB retrofit grants are being funded by a grant from the Department of Insurance (“CDI”) to the CEA, made possible through an underlying appropriation to CDI through the state budget.
- CRMP’s goal of 1,600 houses retrofitted in 2016 is expected to be met and exceeded. The 2017 goal is to retrofit 1,600 homes.

The Napa Earthquake Brace + Bolt (Napa EBB)

- Homeowners are reimbursed up to \$3,000 per cripple wall retrofit using FEMA-granted funds obtained by CEA as a subgrant from the California Governor’s Office of Emergency Services.
- The 2016 goal is for 100 Napa homes to be retrofitted.

The CEA Brace + Bolt Program (CEA BB)

- Only certain CEA policyholders (older house, high-risk areas, three years or more as a CEA policyholder) can participate in this program, under which CEA policyholders who are homeowners are reimbursed up to \$3,000 per retrofit.

Mr. Brown asked about the \$3 million budget appropriation as a source for retrofit grants. Mr. Marshall stated that there are two separate appropriations, one from each of two budget years, each from the General Fund, and each having been one-time appropriations—but with the track record CEA is establishing, he noted that CEA hoped they may continue.

Mr. Ghilarducci stated that he felt it important that CEA work with the California Building Standards Commission to incorporate the ATC prestandard evaluation document into the California Building Code. Ms. Maffei stated staff is working with that Commission now to ensure eventual adoption of the new work and guidelines into the state building code.

- 14. Ms. Maffei will seek Board approval for a new (and, potentially, ongoing) project to update the “General Guidelines for the Assessment and Repair of Earthquake Damage in Residential Woodframe Buildings,” developed with substantial support from CEA by the Consortium of Universities for Research in Earthquake Engineering (which has ceased operating), including a proposal to (a) update and expand the CUREE Guidelines, well proven to be invaluable to CEA, and (b) develop a more specialized set of guidelines, directed to the engineering community and its key role in pre-event mitigation, as well as post-event rebuilding and both individual and community recovery.**

Ms. Maffei explained that the Consortium of Universities for Research in Earthquake Engineering (“CUREE”) would disband as of December 31, 2016.

That means the CUREE website will no longer host the CUREE Guidelines, which are very important to CEA, and that the Guidelines will no longer be kept up to date. She proposed that CEA post a Request for Proposals (RFP) to procure the services of relevant experts and affiliated organizations (1) to keep the Guidelines updated and (2) also to develop companion Engineering Guidelines for geotechnical and structural engineers. Mitch Ziemer, CEA Claim Manager, would be lead on Guidelines project.

**Recommendation**

CEA staff recommends the Board approve CEA's posting of a Request for Proposals to solicit qualifying organizations to submit proposals to update the CUREE guidelines and develop companion engineering guidelines.

**MOTION:** Mr. Shultz moved approval of the staff recommendation; seconded by Mr. Brown. Motion passed unanimously.

**15. Ms. Maffei will update the Board on the CEA Research Program, including the planned February 2017 CEA Research Forum.**

Ms. Maffei told the Board that the first annual CEA Research Forum is scheduled for February 1–2, 2017, at the Sacramento Convention Center. Registration has opened, and great interest is being shown, particularly in the engineering community. She noted that individual Board members might attend and expressed her view that more academics, social scientists, economists, and catastrophe modelers attend.

The Forum will present the 2017 CEA Research Program, including the ATC 110 and Pacific Earthquake Engineering Research (PEER) projects, and solicit input and advice from participants.

**16. Chief Communications Officer Chris Nance will recap CEA's 2016 advertising campaign, including the October 2016 Great California ShakeOut and CEA's participation and support.**

Chris Nance, Chief Communications Officer, noted that performance of the 2016 advertising campaign and Strategic Communications Plan exceeded expectations in all categories. He summarized the advertising, marketing, and media-messaging activities and outreach, events, and training accomplishments for 2016.

**17. Mr. Nance will seek Board approval to negotiate and contract with advertising and marketing firms competitively selected through the CEA procurement process.**

Mr. Nance provided an overview of current contracts, additional competitive procurements, two contracts not requiring Board authorization, and the proposed B2C contract.

**MOTION:** Mr. Brown moved to authorize CEA staff to negotiate for a contract with Runyon Saltzman, Inc., for B2C advertising and

creative services, within the parameters noted in the staff memorandum; seconded by Mr. Shultz. Motion passed unanimously.

**18. Chief Actuary Shawna Ackerman will seek Board approval to renew and extend the term of CEA’s existing contract with earthquake-loss-modeling firm AIR Worldwide.**

Shawna Ackerman, CEA Chief Actuary, provided a slide-illustrated overview and background of both current and proposed CEA-AIR Worldwide contracts, pointing out additional output requirements to support CEA risk-transfer analyses as the basis for proposing a higher contractor fee.

**MOTION:** Mr. Shultz moved approval of CEA’s renewal of the contract with AIR, as described in the staff memorandum, and authorized CEO Glenn Pomeroy to execute that contract renewal on the CEA’s behalf; seconded by Mr. Brown. Motion passed unanimously.

**19. 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 a slide-illustrated overview of progress since the August 2016 launch date in creating CEA’s Enterprise Risk Management (“ERM”) activities, including the Enterprise Risk Committee that will delve into enterprise-wide risk drivers and how they are monitored, measured, assessed, controlled, and mitigated.

Mr. Shultz stated the risk-management program had been a topic in a CEA financial examination conducted by the Department of Insurance. He noted he would share with the Board information reported to him by CDI staff to ensure CEA is able to develop an exemplary ERM Program.

**20. Mr. Pomeroy will update the Board on progress in implementing a “CEA Stakeholders Outreach” program.**

Mr. Pomeroy provided an overview of staff’s 2016 outreach efforts and similar plans for 2017. He said he planned to create a “CEA speakers bureau” and to put together a model presentation to take around the state.

**21. Mr. Pomeroy will update the Board on progress in data collection and data reporting, which together support the Metrics Project.**

Mr. Pomeroy stated the Metrics Report has been included in the meeting packet for Board information.

**22. Mr. Pomeroy will present for Board consideration and approval the 2017 Governing Board meeting calendar.**

Mr. Pomeroy stated the 2017 Calendar has been included in the meeting packet, with the adjustment that the December 2017 meeting has been changed to December 6<sup>th</sup>.

As approved by the CEA Governing Board at its meeting on Wednesday, March 15, 2017

**23. 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.

**24. 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 public comment.

**25. Adjournment.**

There being no further business, the meeting was adjourned at 2:52 p.m.