

**CALIFORNIA EARTHQUAKE AUTHORITY  
GOVERNING BOARD MEETING  
MINUTES**

**Wednesday, September 14, 2016  
1:00 p.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  
Grant Boyken, designee of State Treasurer John Chiang  
Chris Shultz, designee of Insurance Commissioner Dave Jones  
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  
Carlos Martinez, Governing Board Liaison  
Chris Nance, Chief Communications Officer  
Tim Richison, Chief Financial Officer  
Kellie Schneider, Chief Administrative Officer  
Danny Marshall, General Counsel

Also present:

Sherri Aguirre, Program Director, Earthquake Brace + Bolt Program (EBB)

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

The meeting was called to order at 1:05 p.m. A quorum was achieved.

**2. Consideration and approval of the minutes of the June 15, 2016, CEA Governing Board meeting.**

**MOTION:** Mr. Boyken moved approval of the June 15, 2016, California Earthquake Authority Governing Board meeting minutes as presented. Mr. Shultz seconded. Motion carried unanimously.

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

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

Legislation

- The Legislature appropriated \$3 million to the California Department of Insurance (“CDI”) to be granted to the CEA for additional funding for California Residential Mitigation Program (CRMP) EBB program, to fund 1,000 retrofit grants. The CRMP is co-directed by the Governor’s Office of Emergency Services (CalOES) and the CEA. In order that the money received from the CDI grant be allocated to retrofit grants only, the related administrative costs for managing this funding will come from the CEA’s Earthquake Loss Mitigation Fund.
- Legislation introduced in the U.S. Congress to make CEA-funded and state-funded grants non-taxable for federal income tax purposes is gaining bipartisan support.

Education

- 9 million pieces of new mail will be sent throughout the year to people with a homeowners policy issued by one of the CEA’s participating insurance companies (PIs).
- The CEA is supporting the Great California ShakeOut, which will be held on October 20<sup>th</sup> at 10:20 a.m. 8.5 million Californians have registered to participate so far.
- PI-agent training by CEA has increased by about 20 percent over last year.
- The CEA is meeting with a variety of organizations to promote the availability and flexibility of CEA earthquake insurance.

Mitigation

The CEA will participate in grant programs that, together, will make possible retrofits for more than 5,000 homes this year.

- CEMP EBB efforts have retrofitted over 800 homes. An additional 600 permits have been received, 127 extensions granted, and 400 invitations sent to people on the waiting list. Completing all of these retrofits will surpass the 2016 goal of 1,600.
- 19 homes have been retrofitted in the Napa project. The Federal Emergency Management Administration (FEMA) has provided funding for 100 homes, and that retrofit goal appears to be within reach.
- The CEA’s own Brace + Bolt (CEA BB) pilot program will launch next month, reaching out to 3,300 CEA policyholders who live in older houses located in areas of highest seismic risk and who have been insured with CEA

for at least three years.

#### Insurance

- The CEA has more than doubled its annual net increase in policies as of the end of the period covering the first seven months of 2016.
- Reasons for the increase may be related to CEA's efforts in stronger advertising, better products, and more affordable rates.

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

CFO Tim Richison provided an overview of CEA financial information as of July 31, 2016, including these highlights:

- The claim reserve established primarily for the American Canyon (Napa) earthquake in August 2014 stood at just over \$5 million as of July 31. Many open claims were resolved in August, so the reserve will shrink significantly in the future.
- The mid-year budget adjustment reduced budgetary spending by about \$1.6 million, but that reduction is more than offset by higher risk-transfer spending of over \$7 million, caused by the unanticipated increase in policyholders.
- The Board-approved CEA-investment-policy modification to extend average portfolio duration has dramatically affected the capability of the CEA to safely achieve better returns on investments. CEA's investment income, to date, is \$110 to \$120 million, and that figure is anticipated to be higher in 2017.
- CEA's two-year-maturity debt tranche was paid off as of July 1. CEA will pay off its three-year debt tranche next July 1, along with a portion of the five-year debt tranche.

Mr. Richison stated he anticipated presenting the guidelines, policies, and structure of a proposed CEA debt program at the December meeting.

#### **5. Mr. Richison will seek Board approval of a proposed contract with an investment management firm, competitively selected, to manage the CEA Primary Fund.**

Mr. Richison reviewed the evaluation and selection processes for an investment management firm to manage the CEA Primary Fund.

#### Recommendation

Staff recommends that the Board authorize CEA staff to:

1. Negotiate for investment-management services with Conning, Inc., consistent with the terms of the procurement under which Conning, Inc., was evaluated.

2. Authorize CEO Glenn Pomeroy to execute any resulting contract on behalf of the CEA.

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

**6. Mr. Richison will request Board approval to renew and extend the contract for services of the CEA's present independent financial advisor, Raymond James & Co., for a term of three years.**

Mr. Richison stated an RFP for an independent financial advisor had been issued twice. Raymond James & Co., the current financial advisor, was the only proposer. Upon staff analysis, and after evaluation, it was determined that Raymond James & Co. complies with all stipulated requirements and can responsibly operate in the desired role of independent financial advisor even under revised Rule G-42 of the Municipal Securities Rulemaking Board.

Danny Marshall, General Counsel, stated the Raymond James proposal had been vetted through the CEA's formal sole-source procurement process.

Recommendation

Staff recommends that the Board authorize CEA staff to:

1. Negotiate for Independent Financial Advisor services with Raymond James & Co.
2. Authorize CEO Glenn Pomeroy to execute the resulting contract on behalf of the CEA.

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

**7. Chief Communications Officer Chris Nance will brief the Governing Board on advertising and marketing contract initiatives now underway, and seek Board approval of certain interim (2016) advertising/marketing-related contracts.**

CCO Chris Nance provided the background and analysis of contract initiatives to support CEA communication programs.

He discussed continuing public-relations contracting with Burson-Marsteller, first-time ethnic-media contracting with New America Media, the completion of printing and paid-media contracting through competitive procurements, and the impending initiation of contracting with an advertising agency, agent marketing, and back-up call center through competitive procurements.

Mr. Boyken asked how call center staff will be trained. Mr. Nance stated the priority to hire staff that can speak a number of different languages and represent insurance expertise with added training, as necessary.

Chair Ghilarducci asked if the responses will be scripted. Mr. Nance stated questions and answers will be scripted.

Recommendation

Staff recommends that the Board:

Approve proposed agreements between CEA and New America Media, ZOOM Cross-Media, US International Media, and Runyon Saltzman, Inc., to assist in implementing CEA communications programming.

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

**8. Chief Mitigation Officer Janiele Maffei will propose for Board approval a three-tiered CEA research program, focused on taking effective action to reduce the risk of earthquake damage and loss.**

CMO Janiele Maffei provided an overview of the background, analysis, areas of research, and 2017 budget for a proposed three-tiered CEA research program: the annual student-grant program, the biannual research grant, and the special research projects.

Recommendation

CEA executive staff recommends that the Governing Board approve a comprehensive CEA Research Program, fully reflecting the CEA Strategic Plan, which includes ongoing student and professional research grants and an annual research forum.

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

**9. Ms. Maffei will update the Board on CEA mitigation program projects.**

Ms. Maffei provided an update on the four mitigation-program non-incentive projects: the guidelines or ATC 110 Prestandard, the training and development of a group of professionals who use the FEMA P-50 simplified assessment, the South Napa Earthquake Research Phase 2 homeowner responses, and End-to-End Mitigation.

The CEA has hired a UX designer and content writer for the End-to-End Mitigation program and is developing a digitized assessment-tool app for the FEMA P-50 program.

**10. Ms. Maffei will update the Board on the CEA's Cripple Wall Performance Effects research project.**

Ms. Maffei provided an overview of the background, analysis, contract with the Pacific Earthquake Engineering Research Center (PEER) management and program, and scope of work of the 42-month, \$3.4 million CEA mitigation research project:

quantifying the performance of retrofit of cripple walls and sill anchorage in single-family wood-frame buildings.

**11. Ms. Maffei will update the Board on the California Residential Mitigation Program’s incentive program (called Earthquake Brace + Bolt).**

Ms. Maffei provided an overview of the background and analysis of EBB; the 2015, 2016, and 2017 EBB Expansions and 2016 Napa EBB; potential 2016/2017 funding; the FEMA Hazard Mitigation Grant Program; and future funding opportunities.

Ms. Maffei played a video where Jarrett Barrios, the CEO of the American Red Cross Los Angeles Region, on CNN mentions the CRMP.

**12. Ms. Maffei will update the Board on progress of the “CEA Brace + Bolt” initiative, which will create a CRMP-style incentive program for selected CEA policyholders.**

Ms. Maffei provided an overview, accompanied by a slide presentation, of the background, analysis, next steps, and development of a website and program rules for the CEA Brace + Bolt Program (CEA BB).

Mr. Wiley asked when the ZIP Codes will be available for the CRMP program for 2017 with the new state budget funding. Ms. Maffei stated they are available now on the EBB website.

**Recommendation**

CEA staff recommends that the Governing Board indicate continuing support of the CEA Brace + Bolt program and approve the presented draft of CEA Brace + Bolt Program Rules.

**MOTION:** Mr. Shultz moved approval of the staff recommendation with the addition of the rule requirement for three-years’ persistency as a CEA policyholder; seconded by Mr. Boyken. Motion passed unanimously.

**13. Chief Information Officer Todd Coombes will report to the Board regarding 2016 CEA information technology (IT) initiatives and the IT Project Portfolio.**

CIO Todd Coombes provided an overview of the 2016 CEA IT Project Portfolio progress, status, schedules and cost, scorecard, risk summary, and change summary.

**14. Mr. Coombes will update the Board on progress toward centralizing processing of CEA insurance policies.**

Mr. Coombes provided an update of progress made on the Centralized Policy Processing (CPP) initiative. He said one PI is in production, with another coming onboard in October and two more before 2017. Several additional PIs will begin in 2018. Approximately half of CEA’s PIs have contacted the CEA, expressing interest in participating. Staff is actively working with them to move this forward.

Mr. Coombes stated he has contacted a vendor to discuss automating the implementation to address the high demand.

Mr. Coombes encouraged everyone to attend the CEA annual symposium in San Diego at the end of October. This year's focus will be on CPP, with panel discussions and software vendors participating.

**15. Mr. Pomeroy will update the Board on CEA enterprise risk management program planning and introduce Laurie Johnson, who will serve as Enterprise & Strategic Risk Advisor and a member of the CEA executive team.**

Mr. Pomeroy introduced Laurie Johnson, Enterprise and Strategic Risk Advisor.

Dr. Johnson said that in connection with risk-management efforts, Willis Towers Watson, a CEA reinsurance intermediary, had provided slides and offered assistance on an advisory level. She said different areas of CEA can be rolled up into an integrated, broad view to allow appropriate risk management, which does not itself eliminate risk but creates a way to step in, take action, and be more transparent. Part of being transparent is through setting metrics and tracking data.

Dr. Johnson stated the risk management program will look at risk through the lens of the "steady state" of the organization and various scenarios of stress, such as after the occurrence of an earthquake. The program will take each risk through a structured process of testing and identifying metrics to use in a steady state and post-event state.

Staff will report to the Board on a quarterly basis.

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

Mr. Pomeroy provided an overview of the background, CEA stakeholders identified, CEA internal Stakeholders Outreach Committee, metrics, topics, and next steps of the CEA Stakeholders Outreach Program. He invited the Board to access the CEA Facebook page, Twitter at #CEA20, ongoing email updates, and the CEA website.

**17. Mr. Pomeroy will update the Board on progress in data collection and reporting that support the Metrics Project.**

Mr. Pomeroy provided an overview of use in its first year of the CEA metrics-tracking tool. He indicated that eventually a new form of Business Implementation Plan will be developed that will focus on metrics and performance criteria.

**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 public comment.

**20. Adjournment.**

There being no further business, the meeting was adjourned at 2:42 p.m.