

**CALIFORNIA EARTHQUAKE AUTHORITY
GOVERNING BOARD MEETING
MINUTES**

**Wednesday, March 16, 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, Chairman, designee of Governor Jerry Brown
Grant Boyken, designee of State Treasurer John Chiang
Insurance Commissioner Dave Jones
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
Janiele Maffei, Chief Mitigation Officer
Carlos Martinez, Governing Board Liaison
Chris Nance, Chief Communications Officer
Bruce Patton, Director of Policy, Research and Special Projects
Tim Richison, Chief Financial Officer
Bob Stewart, Chief Operations Officer
Danny Marshall, General Counsel

Also present:

Sheri Aguirre, Managing Director, Earthquake Brace + Bolt Program
Kapil Bhatia, Director of Public Finance, Raymond James & Associates, Inc.

- 1. The meeting was called to order at 1:00 p.m. A quorum was achieved.**

2. Consideration and approval of the minutes of the December 16, 2015, CEA Governing Board meeting.

MOTION: Mr. Boyken moved approval of the December 16, 2015 Governing Board meeting minutes; seconded by Commissioner Jones. Motion passed unanimously.

There was no public comment on the minutes.

3. Executive Report by Chief Executive Officer Glenn Pomeroy.

There are no legislative items pending this year or in progress.

The Board-meeting format has been changed to present action items first and report items after.

This year CEA is launching a new approach to communicating with California consumers, with a campaign called “The Risk is Real.” There are brochures for the CEA’s four policy types: homeowners, condo-unit owner, mobilehome, and renters—they reflect this year’s new, greatly expanded coverage options, including a wide range of deductibles, higher limits, and a 20% discount for properly retrofitted older houses.

The new CEA website lets consumers find the cost of a CEA policy for any address using sliders. After one month, consumer-participation results are promising.

As part of the heightened community outreach campaign, [Mr. Pomeroy is] traveling the state to present these messages:

1. Echoing new CEA advertising messaging, the earthquake risk is real, and the benefit of earthquake insurance is real.
2. California created the CEA as a not-for-profit public enterprise.
3. Many new CEA insurance choices are available, including more coverage options and a wider range of deductibles.
4. Consumers can choose coverage to meet their needs and budget.

Napa earthquake: Almost all claims are now paid. Claims should total about \$3.5 million, including both claims paid and related loss-adjustment expenses. The Napa event was a moderate earthquake, with very low earthquake insurance penetration in that area.

Mr. Pomeroy shared a newspaper article on the key role Dietrich Stroeh has played in the Marin County community of Novato through the years.

4. Mr. Pomeroy will seek Board approval of a 2016-budget augmentation, to supply projected funding for a pilot risk-reduction program that would provide financial incentives to CEA policyholders who own, and live in, vulnerable houses in high-earthquake-risk areas and wish to benefit from structural retrofits and resulting CEA premium discounts.

The CEA has been working to develop more funding sources to support mitigation activities; the cornerstone has been the CEA Earthquake Loss Mitigation Fund. By law, a portion of CEA investment return is transferred each year to this fund, which has accumulated to the point where the CEA can target about \$15 million over time to retrofits through the EB+B program.

Working through CalOES, the CEA requested a \$300,000 grant to retrofit 100 houses in Napa. The program is now up and running. Three million dollars has come indirectly from the state budget in an action taken last year, putting the CEA in a position to retrofit another 1,000 homes.

The evolving funding sources are the CEA's Earthquake Loss Mitigation Fund, state legislation, and FEMA grants (two grants: one in hand and a second to be applied for).

The new Risk-Reduction Program focuses on long-time CEA policyholders in older house in high-seismic-risk areas. An allocation from this Board of \$12 million will allow the CEA to retrofit another 3,400 homes, built before 1940 and on raised foundations.

The CEA's Chief Actuary has determined that this will be, in effect, a wise financial investment for the CEA, because it reduces the risk in the CEA portfolio, and over time it can offset the cost of risk-transfer that otherwise would have been needed if those homes continue to be insured by CEA, un-retrofitted. Those savings on risk-transfer costs can offset the aggregate premium discounts.

Ten ZIP Codes are targeted, five in Northern California and five in Southern California, focusing on policyholders whose pre-1940 houses have been insured by CEA for at least three years. In addition to the retrofit grant, once the retrofit is completed, they will receive a 20% discount on their CEA earthquake insurance.

CEA staff asks the Board to take the following actions: approve developing the program; endorse a start-up date of the third-quarter 2016; direct staff to develop an implementation plan and program rules; and allocate \$12 million from CEA capital to fund the first full year of the program.

Ms. Aguirre spoke to EBB-program mechanics:

1. The CEA will send an initial letter to policyholders; participating insurers (PIs) can decide whether they wish to co-brand the program and include the logo.
2. The CEA will make follow-up phone calls to policyholders. PIs would have the opportunity to make initial phone calls as well.

Mr. Pomeroy said all costs associated with the program will be paid by the CEA.

Mr. Stroeh complimented staff on the simplicity of the program.

Ms. Aguirre mentioned that an internal team is working on the program: EBB staff as well as CEA staff.

Commissioner Jones asked that staff clarify the geographical overlap of the three separate “work streams.” Ms. Aguirre clarified, with assistance from Ms. Ackerman.

Commissioner Jones asked about the FEMA-funded EBB program. Ms. Aguirre noted where the program operates (Napa) and that a second FEMA application that CEA will submit by June 16 will be for activities Humboldt and Santa Barbara Counties. She added that, so far, there has been no overlap with FEMA-funded retrofit programs, which is important because of the different tax structure: FEMA-funded grants are not taxable at the federal level.

Chair Ghilarducci further explained that the FEMA program is really “state hazard mitigation money” that followed federal disaster declarations. Twenty percent of the funds expended to recover from those disasters comes back to OES as mitigation funds.

Commissioner Jones confirmed with Ms. Aguirre that CEA policyholders can receive EBB grants and that CEA premium discount being offered is for all policyholders who have retrofitted, including those selected for EBB.

Commissioner Jones asked about the 3,400 policyholders in the ten ZIP Codes who might be eligible for the new program. Ms. Ackerman explained that the 3,400 represents every policy that qualifies in those high-seismic-risk ZIP Codes: all of the pre-1940 houses that have been insured for three years or more years by CEA.

Commissioner Jones said it appears that the EBB program has had about a “50% take-up rate of eligible homes,” and that might be the case with the new CEA program. He asked what would happen to the funds allocated by the Governing Board if the take-up rate is low. Mr. Pomeroy responded that the unused money would stay in CEA capital, although it might trigger a different approach. He acknowledged that, with the Board allocating funds, ideally the take-up should be 100%. Mr. Pomeroy pointed out that the program is not time-limited.

Ms. Maffei mentioned that with EBB two years out, when staff returns to a previous year’s ZIP Codes they find a higher follow-through rate, which they attribute to word-of-mouth. So staff will be persistent in contacting this finite list of homes.

Commissioner Jones asked staff to report progress to the Board in six months.

Mr. Pomeroy agreed and added that staff will be tracking whether policyholders remain insured after the retrofit. Mr. Richison added that, if approved, the program would be reported in monthly budget materials, so staff and the Board can monitor how much money is drawn from the allocation.

Mr. Boyken asked about the \$1.8 million in administrative costs. Ms. Aguirre responded that program duration, and therefore program budget, is 36 months. The expenditure would include developing the website and using existing staff as well as call-center staff dedicated to the program.

Mr. Stroeh commented that the 10 areas are seismically active, and there are many more like them in the state. He hoped to see the program take off, with more and more requests from the CEA for allocations. The program is not just about fixing someone’s house—it’s about reducing their costs.

MOTION: Mr. Boyken moved approval of the staff recommendation to approve further development of the CEA (pilot) risk-reduction program, with a goal of commencing implementation by third quarter 2016:

- Support these eligibility parameters for policyholder properties:
 - Three or more years tenure with the CEA;
 - Pre-1940 wood-frame construction on a raised foundation, lacking adequate bolting or bracing (or lacking both); and
 - Located in higher-risk areas in which the CEA has a concentration of exposure, so that mitigating the target houses will appreciably reduce CEA risk-transfer needs and therefore reduce CEA risk-transfer costs.
- Direct staff to develop an implementation plan and draft program rules, all to be reported to the Board.
- Allocate \$12 million from CEA capital to fund the first full year of the program.

Seconded by Commissioner Jones with an amendment requesting periodic report-back of not greater than six months in duration; Mr. Boyken accepted. Motion passed unanimously.

(9.) Chief Mitigation Officer Janiele Maffei will update the Board on CEA-mitigation-program projects.

The first project involves ATC 110, a pre-standard, which is the first document toward creating a standard, which is a code. The idea is to take the EBB “prescriptive” plans for the cripple-wall retrofit and extend that to other vulnerabilities. This includes retrofitting the room-over-garage design, common in San Francisco, and hillside dwellings.

The ATC engineers and researchers are identifying the elements of a house that resist earthquake loads, and creating a computer model of them. They will then compare element capacity to the earthquake demands on that building and decide the performance level for a particular demand. The current conversation is to determine how capacity and demand align.

The second project is “matchmaking.” FEMA has a course for teaching home inspectors to use the *Seismic Retrofit Guidelines for Detached, Single-Family, Wood-Frame Dwellings* (FEMA P-50). Inspectors use that document to explain to a prospective homebuyer or homeowner how the house would perform in an earthquake (its vulnerabilities).

The CEA did six training sessions in 2015 and is proposing six more in 2016, using FEMA funding. The “matchmaking” by CEA is essentially putting home inspectors in touch with FEMA, which has the document they can use. And this is also a service to the CEA since the inspector obtains information needed to complete the CEA Hazard Reduction Discount documentation, which is signed by either a contractor or an engineer.

Chair Ghilarducci asked about home inspectors: Must they be certified structural engineers? Ms. Maffei said no, inspectors are members of one of two specialized associations, so CEA is working through the California Real Estate Association (CREIA) and the American Society of Home Inspectors (ASHI).

Commissioner Jones mentioned the CEA verification form. The CEA might amend the form to allow inspectors to sign it, by making a filing with the DOI.

Ms. Maffei then addressed a question Commissioner Jones had asked at the last Board meeting:

- The CEA is trying to elevate understanding in California that older houses, especially, have vulnerabilities to earthquakes. To protect houses, When homeowners retrofit an older house, they must do it to a standard or code.
- The State of California's *Homeowner's Guide to Earthquake Safety* assists the homeowner in understanding vulnerabilities. A seller must give the document to the buyer with a completed Earthquake Hazards Report, signed by both seller and buyer. In the Report, for seismic structural vulnerabilities, the homeowner can check, "don't know."
- The CEA is training home inspectors to be able to fill out this form for the homeowner and the verification form for the CEA premium discounts. Home inspectors are very eager to have this information and training.

Chair Ghilarducci asked about any limiting factors for the training. Ms. Maffei told him that limitations are number of trainers available and money needed for the six-hour training.

Commissioner Jones asked if there are standards for home inspectors into which could be embedded house attributes so that in addition to training, it would become an "industry standard." Ms. Maffei replied that the state does not regulate home inspectors—they self-regulate through the organizations mentioned. But CEA is considering working with those organizations to combine these things into their organizational standards, through accreditation or membership. The no-licensing situation obtains in most US states.

Mr. Stroeh mentioned potential problems, such as home inspectors' commenting on the form about inactive fault lines. Ms. Maffei responded that the three elements of the form that are ground-failure related (fault, liquefaction, and landslide) come from USGS and CGS mapping, and to complete that part of the form, the person is directed to the official USGS website.

Chair Ghilarducci commented that information provided in the form should not prevent selling a home, since it's information about retrofitting, type of house, etc. Ms. Maffei agreed.

Ms. Maffei said that staff is in process of developing an "End-to-End Mitigation" website, which will direct homeowners to recognize hazards of their homes: potential vulnerabilities, retrofit-financing, and the importance of insuring against the unknowns and uncertainties in earthquakes.

Mr. Coombes told the Board that the website is scheduled to be up and running by the end of 2016.

(10.) Ms. Maffei will update the Board on the California Residential Mitigation Program incentive program (“Earthquake Brace+Bolt”), operated by a joint power authority whose members are the California Governor’s Office of Emergency Services and the CEA.

In 2015 the EBB program funded completion of 575 retrofits, and there is a high level of completion once the homeowner receives a building permit.

The 2016 goal is 1,600 retrofits.

In 2015 there were 600 retrofits paid for through the CEA Loss Mitigation Fund.

For the State of California through a budget appropriation to the California Department of Insurance, and a grant by DOI to CEA, there are an additional 1,000 retrofits funded.

For grants funded by FEMA, through a subgrant from CalOES, there are 100 retrofits to be completed in Napa.

Press conferences were held in Los Angeles and San Francisco, with excellent radio and newspaper coverage.

The program also directs mail to target audiences in their ZIP Codes.

In 30 days starting January (2016), there were over 4,400 applications. Staff completed the selection process last week and notified successful applicants. Anticipating a drop-off rate of 50%, staff sent 3,200 acceptances for the target of 1,600 retrofits.

Staff is trying to elevate the quality of the program and the quantity of retrofits, so they are meeting with every building official and training building departments.

Contractor outreach is ongoing, and more than 500 have signed up on the EBB website.

For Napa EBB (“powered by CalOES and FEMA”), registration is still open, with 100 spots available.

Staff is drawing up a new application form, since different cities and counties have different rules and tax structures.

Mr. Wiley asked about Santa Barbara County. Ms. Maffei explained that the CEA’s chief actuary had prioritized ZIP Codes statewide based on two factors, high hazard and high concentration of older houses.

Mr. Wiley asked about the average cost of a retrofit. Ms. Maffei responded that in Northern and Southern California, the average cost is \$5,100. For a house that doesn’t have cripple walls, one that needs only to be bolted, the cost is under \$3,000.

Commissioner Jones asked about the target numbers for 2016. Ms. Maffei explained that 600 would be done from CEA’s Earthquake Loss Mitigation Fund. The additional 1,000 (making 1,600, total) is from the state appropriation to DOI, granted to CEA. For 1,600 completed retrofits, because of the 50% drop-off rate, 3,200 were accepted into the program. But should all of the 3,200 complete a retrofit, each and every participant would receive a grant—the 1,600 number is a target, not a cut-off, and with present funding availability, no one out of the 3,200 would be cut off.

Commissioner Jones said thanks to Assemblymember Adrin Nazarian’s leadership, an additional \$3 million was made available, allowing the retrofit of 1,000 additional houses.

Chair Ghilarducci confirmed with Ms. Maffei that the other two funding streams presently available are the mitigation fund from FEMA and the new CEA program for policyholders.

Commissioner Jones confirmed with Ms. Maffei that if all 3,200 homeowners complete the retrofit, the additional funding would be pulled from the CEA Loss Mitigation Fund.

Mr. Richison noted that the CEA will return to the Board for its approval to move funds in the Loss Mitigation Fund to the CRMP program for any additional need.

Chair Ghilarducci asked about the timeframe for retrofits. Ms. Maffei answered that there are eight weeks to select a contractor and get a permit, then six months to complete the work—that corresponds to most cities' time limits for the life of a permit. The work is a two-to-three-day project if a contractor does it.

Chair Ghilarducci asked about cooperation from the city building departments, mayors, and councils. Ms. Maffei said it has been excellent.

Ms. Maffei confirmed for Commissioner Jones that the program will likely allocate the entire \$3 million appropriation in 2016, at a rate faster than in 2015.

Commissioner Jones confirmed with Ms. Maffei that, were the Legislature and Governor to make another appropriation, the program could use it.

Chair Ghilarducci stated that the Department of Finance will want to see how the appropriation is spent to ensure that more money is not just being added to inactive funds—if money is “carried over,” authorities might not be inclined to allocate again.

Mr. Boyken asked at what point funds are transferred to the CRMP. Mr. Richison said that by the June 15 CEA Governing Board meeting, staff should know how many applicants are accepting. The amount staff requests from the Board will be based on that acceptance and estimates of future funding needs.

Mr. Pomeroy noted that over a million houses need these simple, code-based retrofits. While CEA numbers are impressive, there is much more to do. That's why CEA is creating programs for the CEA, FEMA, and CalOES, so that they may be proactive—when the Legislature plays a role, the front is united.

5. Chief Communications Officer Chris Nance will present, and seek Board approval of, the 2017 CEA advertising budget.

Distribution of the newly required “mandatory marketing document” (MMD) begins this year. Insurance companies that offer CEA policies now have a new obligation: to deliver an MMD to all their homeowners insureds. As a result, total distribution of the new piece will exceed 9 million households.

This year, CEA also will offer more coverage choices, more deductible options, more affordable rates, and more retrofit discounts.

But many marketing barriers still exist. Social scientists say people perceive little to no risk from earthquakes, which after all have a generally low probability of occurring. And CEA has found that many Californians believe government will cover their costs to repair earthquake damage.

As approved by the CEA Governing Board at its meeting on Wednesday, June 15, 2016

Most important, the CEA policy is sold only by its participating insurance companies—CEA has little control over how its policies are sold.

Nonetheless, when CEA advertising is in play, use of the CEA website more than doubles.

All CEA communications programming to support PIs' sales of CEA policies is research-based.

CEA's branding research, for example, produced the tag line, "The Strength to Rebuild." And CEA's recent advertising-concept testing produced its current "Earthquake Risk Is Real" campaign.

CEA's "Earthquake Risk Is Real" comprises four concepts: "Pressure," which aligns with the MMD; "Plates" and "If, When" that are risk-oriented; and "More, More, More," which is focused on more policy choices, more deductible options, and more affordable rates.

In addition to PIs prioritizing CEA-policy sales, many other factors increase take-up of CEA policies, including damaging earthquakes, new participating insurance companies, CEA product enhancements and rate reductions, and CEA advertising.

Despite numerous barriers to prospects' moving through the sales funnel, overall take-up for CEA policies is increasing, while take-up for non-CEA policies is decreasing.

CEA plans to further refine advertising plans for 2016:

- Tighten focus on prospective buyers, to enhance opportunities to consider CEA policies.
- Leverage new CEA information on media-consumption habits and demographics.
- Use industry standards to determine optimal delivery of gross rating points.
- Increase emphasis on digital advertising and rebalance overall plan accordingly.

Most of CEA's advertising budget will be dedicated to delivering ads that directly promote the purchase of earthquake insurance, with messages in Spanish and Chinese this year for the first time. In addition, CEA will again be central in promoting the *Get Prepared, California! Auction* and the *Great California ShakeOut*.

CEA continues to work with PIs to explore opportunities to co-market CEA policies.

CEA's advertising budget proposed for 2017 amounts to 1.8 percent-of-premium, compared to the industry standard of 3.4 percent.

In addition, CEA's proposed 2017 advertising budget fits with CEA's rating plan, approved by both the CEA Governing Board and the California Department of Insurance.

Mr. Nance recommended approving an expenditure of up to \$11,358,000 to implement programs within CEA's 2017 advertising budget.

Mr. Wiley asked about cost projections for the digital component. Mr. Nance said by knowing media-consumption habits of CEA policyholders, CEA can work more efficiently with advertising dollars dedicated to the online space. He gave an example of a consumer looking at the Zillow website, then clicking on a CEA ad located on that site, while later moving to an ESPN website where the user again would be served an ad from CEA.

Mr. Nance said dedicating more dollars to digital advertising makes sense because people are spending more time investigating earthquake insurance online than anywhere else.

Mr. Nance further explained for Chair Ghilarducci that TV generates the highest level of awareness at the lowest cost possible. Nance then generally described how an advertising mix works with TV for reach, radio for frequency, and online for extended time for consideration.

Chair Ghilarducci asked about leveraging PSAs through TV providers. Mr. Nance said CEA currently works very closely with 21 news stations, across six networks, in four markets, all through one script, to deliver TV PSAs produced by CEA.

MOTION: Mr. Boyken moved approval of the expenditure of up to \$11,358,000 to implement programs within the CEA 2017 advertising budget; seconded by Commissioner Jones. Motion passed unanimously.

Commissioner Jones mentioned the question he had previously asked regarding whether the CEA is invested in companies that hold or extract carbon from the earth. Mr. Richison responded that staff has done an analysis, and CEA does not hold securities from any such companies. CEA's is invested primarily in U.S. Treasuries. The CEA does hold commercial paper from Toyota, which investigation shows promotes its "green initiative" for lowering its carbon footprint in production, car sales, and relationships with dealers and corporate partnerships.

Mr. Richison also said CEA's *Investment Policies and Guidelines* section on principles calls out its position, and CEA frequently discusses this policy with its asset managers.

(At this point Mr. Shultz took the place of Commissioner Jones, who departed along with Mr. Wiley.)

6. Chief Financial Officer Tim Richison will seek Board authorization to set the CEA participating insurers' respective maximum-earthquake-loss funding-assessment levels, effective April 1, 2016.

The New Industry Assessment Layer partially decreases ("rolls off") each year. This year it is decreasing to about \$128 million, and next year it will roll down to zero.

The Second Industry Assessment also has a roll-off feature, by statute, which will begin to reduce that assessment capability once the CEA has available capital of \$6 billion or more. The CEA will probably reach that capital level in the next three to four years, absent major claim expenditures.

Mr. Richison asked the Board to refer to Attachment B to the item memo, which has a correction under the column headed "Max Assessment New Layer."

With Board approval of the assessments in the revised Attachment B, the CEA will send letters to the participating insurers to notify them of their maximum assessment liability, effective April 10, 2016.

MOTION: Mr. Boyken moved adoption of the New Industry Assessment Layer aggregate assessment amount in the revised Attachment B; seconded by Mr. Shultz. Motion passed unanimously.

7. Kapil Bhatia, Managing Director of Public Finance for Raymond James & Associates, Inc. [“RJ”] – the CEA’s independent financial advisor – will present to the Board the annual report on the state of the economy.

The U.S. unemployment rate is 4.9%; labor force participation is 62.4%, the lowest for 50 years. The real unemployment rate is 9.9%, including marginally employed or part-timers.

RJ doesn’t expect inflation to increase, so wages and interest rates should remain low.

Oil is range-bound and probably will remain low.

Municipal issuance, corporate issuance, and the equity market are all strong.

The global economy is weak. RJ doesn’t expect global interest rates to increase.

Labor-force participation shows a mismatch of labor skill sets and lack of infrastructure spending.

All central banks have done quantitative easing over the past nine years, since the global recession; the only result is the “asset bubble.”

U.S. Treasury rates are relatively flat.

Reinsurance markets are very strong. Traditional risk-transfer markets have over \$565 billion of capital available.

Alternative risk-transfer markets are currently at \$69 billion and are expected to increase to \$100 billion over the next three years. Traditional markets are trying to remain competitive; 2016 pricing is expected to go down by a further 5 to 10%.

The cat bond market has stabilized. RJ does not expect it to increase significantly, but RJ expects collateralized-reinsurance markets to grow.

RJ has recommended that CEA treasury management take advantage of the recent Board-approved change in the CEA investment policy. CEA capital is conservatively managed, with almost \$6 billion in total investments. The portfolio’s average duration is approaching 2, an increase of 12% from December, as approved by the Board. Return has increased almost 6 basis points over the past two months, and all of that results in higher investment returns. With the yield curve flat, RJ expects CEA’s investment income to increase approximately \$10 to 15 million this year, without any additional credit risk from the duration change.

In conclusion, the CEA’s treasury is in very good shape.

- Risk-transfer rates are expected to go down.
- The investment portfolio appears strong.
- Interest rates are not expected to go up.

8. Mr. Richison will present to the Board the CEA financial report.

There is \$5 billion of “available capital.”

CEA now invests more than \$6 billion in assets, growing rapidly and investing in U.S. Treasuries.

At the end of 2015, CEA had \$11.6 billion in total claim-paying capacity.

Total claim reserves for Napa and La Habra presently stand at \$408,000.

The CFO report:

Cash and Investments grew by 11% in '13-14 and 6% in '14-15.

Total Asset Growth was 10.9% in '13-14 and 6% in '14-15.

Written Premium increased 5.7% in '13-14 and 4.5% in '14-15.

Reinsurance Costs decreased 8.8% in '13-14 and 2.6% in '14-15.

Participating Insurers Commissions are increasing.

Reinsurer Broker Commissions are reduced.

The Pro Forma Premium Tax for the CEA's 18 years-to-date is \$225 million.

Underwriting Expenses and Overall Expenses are now increasing at a lower rate.

The Underwriting Profit is increasing every year over year.

We are looking to see an increase in New Investment Income. The amount allocated to the Loss Mitigation Fund is a function of the 5% we get on that income.

This is the first time we have reached an increase of over \$300 million in our Net Position.

In 2015 the overall budget was at 94.5% utilization.

The mitigation program budget was at 70%.

CEA has a little over \$4.3 billion of risk-transfer contracts.

Mr. Shultz commented that he appreciated the focus on getting the budget closer to actual and the continued focus on establishing a realistic budget. Mr. Richison noted that the midyear revision had helped.

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

The 16 projects on the IT portfolio that were approved last December are moving forward as per plan. Eleven of them are in progress, and one project was added to the list (End-to-End Mitigation website).

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

The CEA is offering to produce and mail, on behalf of participating insurers, the MMDs.

The data-sharing agreement is being put on the shelf for the present, as the CEA continues to think about how to implement it with participating insurance companies.

Regarding the Admin and Claim System, staff has completed contract work with Insuresoft, the CPP vendor. One participating insurer is planning to go live on that system at the end of March 2016.

As approved by the CEA Governing Board at its meeting on Wednesday, June 15, 2016

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

Mr. Pomeroy explained the metrics scorecard for the first quarter, including the green, yellow, and red designations.

14. Mr. Pomeroy will update the Board on additional office space, now obtained and under lease (on the floor immediately above the CEA's main office), that will accommodate CEA staff and operations.

The final lease agreement to expand into the remainder of the 11th floor has been executed. Construction should begin during the upcoming quarter.

15. 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 moved into closed session at 3:03 p.m., reconvening in open session at 3:20 p.m.

16. 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.

17. Adjournment.

Chair Ghilarducci adjourned the meeting at 3:21 p.m.