

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

**A. GENERAL INFORMATION**

1. Date

July 5, 2016

2. Department

California Earthquake Authority

3. Organizational Placement (Division/Branch/Office Name)

Operations and Technology Department

4. CEA Position Title

Insurance Program Director

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

The California Earthquake Authority (Authority) proposes to allocate the above position to the Career Executive Assignment category. The Insurance Program Director is responsible for one aspect of the Authority's primary mission to Educate, Mitigate, and Insure. The Insurance Program Director is responsible for insurance portfolio performance and management, product development, and insurance-specific compliance.

6. Reports to: (Class Title/Level)

Chief Operations Officer/Chief Information Officer ("at will" contract employee)

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain): Senior-level property and casualty insurance subject matter expert

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

## B. SUMMARY OF REQUEST

### 9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

As a member of the Authority's senior management team, the Insurance Program Director is responsible for establishing policy and providing leadership and direction relating to the Authority's insurance operations. The role is paramount to the Authority's success in achieving its strategic goal – Insure – which targets helping Californians understand, quantify, and actively manage their risk of financial loss from damaging earthquakes using the Authority's insurance products.

The Insurance Program Director creates and leads development of strategies, processes, and procedures to effectively manage the Authority's portfolio of business; leads and directs development of the Authority's products and related insurance services; establishes and maintains supportive working relationships with the Authority's stakeholders including the Authority's participating insurers; provides oversight to ensure compliance with statutory, regulatory, legal, and the Authority's operational requirements; and is responsible for related workforce and expense management.

The Insurance Program Director leads the development and ongoing evaluation of the Authority's book of business. The Authority's book of business represents the number of policies written, the associated exposure (i.e. the sum of the coverage limits), and the premium – all of which are evaluated from a variety of perspectives including, but not limited to, product type, participating insurer, county, rating variables, etc.

The Insurance Program Director leads, directs, and manages initiatives to design and implement innovative choices in insurance-coverage options while continually seeking ways to make earthquake insurance more affordable while remaining appropriately priced. The incumbent is responsible for identifying and leading coordination of activities of appropriate subject matter experts to ensure innovations are supported by expert financial and business analysis; and thoroughly tested by research and measured by policyholder response. Examples include leading development and introduction of new product options such as increased coverage limits and a broader range deductibles.

The role directs, manages, and implements Authority organizational processes and practices designed to maximize the Authority's effectiveness by building and maintaining relationships with the Authority's participating insurers including their agents. Effectiveness will be measured by creation and management of cross-functional relationships within participating insurer's operations to include multiple functional disciplines (e.g. underwriting, sales, training, etc.) with an emphasis on delivery of excellent policyholder service including sales and subsequent policy servicing. Responsibilities include accurate and timely implementation of Authority initiatives relating to insurance programs, products, rates, and other related changes including those derived from statutes and/or regulations. Examples include development of processes and change management activities supporting the introduction of new product options to ensure the changes are implemented in a timely, efficient, effective, and compliant manner.

The Insurance Program Director leads and directs establishment of appropriate insurance program rules, policies, procedures and processes that align with Authority-related statutes, regulations, and the Authority's Plan of Operations. The role is also responsible for business ownership of the specific systems and technology associated with Insurance Operations. Incumbent collaborates with other members of the Authority's senior management team to create and manage related compliance initiatives including creation and maintenance of appropriate governing documents. An example includes serving as the Authority's senior representative in coordinating activities with the California Department of Insurance and the Authority's participating insurers when the Department performs a market conduct examination of the Authority's underwriting and rating practices.

The Insurance Program Director is responsible for development and maintenance of a workforce plan designed to ensure the Authority's Insurance Operations team has appropriate staff that possess the knowledge, skills, and abilities requisite for attainment of organizational goals and objectives. Incumbent leads and directs evaluation and development of Insurance Operations staff. An example includes serving as the senior staff member representing Insurance Operations in activities supporting the Authority's workforce development plan.

**B. SUMMARY OF REQUEST (continued)**

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: The Authority's 2014-2016 Strategic Plan mission has three main, critical goals: Educate, Mitigate, and Insure. The Insurance Program Director is responsible for the development and implementation of the insurance-specific goal, which is to help Californians understand - and quantify and actively manage, using Authority insurance products - their risk of financial loss from damaging earthquakes.

## **B. SUMMARY OF REQUEST (continued)**

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

The Authority is a not-for-profit insurance company established by the California legislature in 1995-1996 and is the largest residential earthquake insurer in the country and one of the largest in the world. In addition to the insurance function of financing repair and rebuilding of residential properties should a catastrophic earthquake occur in California, the Authority also educates and financially helps residents strengthen their homes to reduce the impact and cost of earthquake losses. Although not an agency or department of the California government, as a public instrumentality of the state, the Authority is governed by a Board composed of five elected public officials: California's Governor, Treasurer, and Insurance Commissioner serve as voting members of this Governing Board, while the Speaker of the Assembly and the President Pro-Tempore of the Senate serve as non-voting members.

Since its inception in 1996, the Authority has grown to be more than 75% of California's residential earthquake insurance market. Over the past decade its capital has grown from \$2 billion to over \$5 billion, and its claim-paying capacity has increased over 40 percent to more than \$12 billion. The Authority now writes well over \$600 million in premium annually.

Additionally, in August 2011, the California Residential Mitigation Program (CRMP), a joint-exercise-of-powers entity was formed by its members, the CEA and the Governor's Office of Emergency Services, (Cal OES). CRMP is a legally separate entity from its members; however, is managed by the CEA. The CRMP was established to carry out mitigation programs to assist California homeowners who wish to seismically retrofit their houses. CRMP's goal is to provide grants and other types of assistance and incentives for these mitigation efforts. The first of these programs, Earthquake Brace + Bolt: Funds To Strengthen Your Foundation, was launched as a pilot project in September 2013. This new entity requires the hiring of talent possessing knowledge, skills, and abilities, and supporting competencies specializing in the fields of structural engineering, construction management, and project management. The Insurance Program Director plays a very important role in supporting the CRMP's efforts to roll out their initiatives.

Although the Authority is publicly managed, its business purpose is comparable to that of a private-sector residential-property-insurance company. This means the organization requires professional insurance expertise on-staff to fulfill its mission. In fact, recruitment and retention of qualified, highly skilled, private-sector insurance professionals is critical to the success of the Authority's operations and ongoing evolution. The Authority's Act authorizes the Authority's Governing Board to contract with, and hire, that specialized talent—the Authority's present roster contains six individuals with significant private-sector insurance experience, recruited and hired in this manner.

By law, the Authority also employs individuals who are subject to civil service provisions. The Authority's original Act restricted the number of employees subject to civil service provisions the organization could employ; however, as the Authority has evolved and stakeholders developed a better understanding of the skills, talent, and staff size needed to run a statewide insurance operation, the Governing Board—starting some 13 years ago—supported the Authority's leadership in hiring numerous temporary staff members at all levels (including professional) to enable the organization to successfully fulfill its mission. The restriction on the number of staff subject to civil service provisions was lifted in 2013 and the Authority has been developing a workforce plan to staff the organization with the in-house skills and talent required to operate a residential property insurance company. Currently the Authority has a total of 130 staff which includes civil service, temporary, and employees employed through an Employment Agreement as authorized by the Authority's Act.

The Insurance Program Director role was recently vacated by an individual who was employed through a temporary employment agency. Since the work is ongoing and primary to the Authority's mission, we are seeking a permanent CEA position to manage the function.

### **C. ROLE IN POLICY INFLUENCE**

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The Insurance Program Director directs and leads efforts to conceptualize and develop the Authority's residential earthquake insurance products which are the cornerstone of the Authority's ability to achieve its strategic goal – Insure – which targets helping Californians understand, quantify, and actively manage their risk of financial loss from damaging earthquakes using the Authority's insurance products. The Authority's products provide all Californians with the tools for managing their financial risk following a damaging earthquake.

In collaboration with the Authority's Chief Actuary, the Insurance Program Director directs and leads development of the Authority's rate plan which is used to calculate the premium the Authority charges California consumers who choose to purchase the Authority's residential earthquake insurance products. Ultimate approval requires an extensive regulatory process led by the California of Insurance.

The Insurance Program Director leads the Authority's collaboration with the California Department of Insurance by delivering and reporting critical information and expertise necessary to assess the State's residential earthquake insurance market while ensuring the Authority's policyholders are properly served in compliance with California statutes and regulations.

Guided by the Authority related statutes, the Insurance Program Director is responsible to evaluating and recommending the appointment of new participating insurers who choose to utilize the Authority to fulfill their statutory requirements for offering residential earthquake insurance to their California residential property insurance policyholders.

**C. ROLE IN POLICY INFLUENCE (continued)**

**13. What is the CEA position's scope and nature of decision-making authority?**

The Insurance Program Director is expected to formulate decisions specific to the Authority's insurance program for appropriate consideration/review/approval of the Authority's Chief Operations Officer/Chief Information Officer, Chief Executive Officer, Governing Board – and the State's insurance regulator when required.

**14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?**

The Insurance Program Director will develop and implement new policy as well as interpret and implement existing policy as illustrated through the incumbent's policy making role as follows:

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