

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

September 23,  
2020

2. Department

California Earthquake Authority ("Authority")

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

Legal and Compliance Department

4. CEA Position Title

Director of Enterprise Compliance Management (ECM)

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

Under the general direction of the General Counsel, the Director of Enterprise Compliance Management (ECM) oversees the Authority's enterprise compliance management department and collaborates with internal business partners to assess and manage all areas of compliance risk for the organization. The incumbent will provide leadership in the formulation, development, and implementation of a comprehensive, proactive and risk aware enterprise compliance management program. The incumbent will act as the intermediary between executive, senior, and middle-management leaders to ensure compliance with local, state, federal regulations, and organizational standards. The incumbent serves as a policy advisor to the General Counsel, Chief Executive Officer, Executive staff, the CEA Governing Board, the CEA Advisory Panel and the California Catastrophe and Response Council.

6. Reports to: (Class Title/Level)

General Counsel (a statutorily created contract position/Executive Team member reporting to CEO)

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): As a member of the senior management team, directly communicates with the General Counsel, CEO, CFO and other Executive Team members to provide compliance expertise on matters that significantly impact the Authority's business operations.

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.

Under the general direction of the General Counsel:

Provide leadership, management direction, supervision, and policy guidance to California Earthquake Authority (Authority) staff within the organization assigned program area of compliance responsibilities. Plan, organize and direct activities associated with the following enterprise-wide compliance functions: Compliance Risk Management; Compliance and Ethics awareness; Program Analysis, and Operations, and in conjunction with the ethics attorney or General Counsel, Compliance or Ethics Investigations. Collaborate with Enterprise Risk Management and Audit Services to conduct the annual compliance risk assessment and develop strategic plans for compliance risk mitigation – resulting from the compliance risk assessment. Develop, implement, and maintain enterprise-wide policies, standards, procedures, and guidelines for compliance management to ensure the integrity and effectiveness of the Authority compliance functions. Oversee the development and periodic revision of policies and procedures related to the design and operation of the Legal and Compliance Department (such as ethics and compliance investigation protocols, compliance hotline procedures, policy governance, etc.)

Serves as the policy advisor in the development and implementation of compliance-related policies, strategies, goals, objectives, projects, standards, and processes; coordinate and provide oversight in the development, revision, issuance, and distribution of the Authority Code of Conduct and other compliance policies and procedures to the Authority's leadership and employees; and ensure that the Authority Code of Conduct and other compliance policies are maintained and are accessible on the Authority's internal website.

Initiate, plan, develop, and implement a compliance training plan and a compliance communication plan.

These plans will identify the compliance training to be administered and communications to be disbursed for the upcoming work plan year; coordinate and oversee the development of compliance training and integration with other Authority education and learning programs and activities; collaborate with business partners to develop and manage all Authority communication efforts, as defined in the plan, including but not limited to: 1) compliance communication materials for the Authority website, the SharePoint site, newsletters, e-mail and other appropriate communication networks; 2) serve as a spokesperson for Enterprise Compliance Management to stakeholders and business partners – both internal and external to the organization; and 3) integrate compliance messaging in all communications – internal and external to the organization.

Act as a policy advisor to the CEO, General Counsel, Executive staff, the CEA Governing Board, CEA Advisory Council, the CA Catastrophe and Response Council, and the Risk Management Committee recommending and implementing policies and strategies in support of the Authority's Strategic Plan, Annual Business Plan, risk management, and fiduciary responsibility. Participate in board meetings and deliver formal written and oral presentations. Act as an internal technical advisor providing briefings, continuing education and expert consultation and advice in rendering sensitive operational and risk mitigation decisions related to compliance. Manage the Compliance Hotline, including assignment of issues to appropriate functions or individuals for investigation; oversee the management of the investigation and resolution of all reports to the Compliance Hotline and other compliance-related allegations received by staff. Prepare quarterly reports that include an update of Enterprise Compliance Management division activities, investigations, Compliance Hotline reports of allegations and the investigation and resolution of those allegations. Partner with the Authority business areas and the Human Resources Division on ethics and compliance complaints to achieve consistent enforcement for violations related to compliance matters; work with investigators and other functions to: 1) identify appropriate program-related remedial measures following the identification of compliance violations and 2) track implementation of remedial measures.

Develop measurement standards and reporting formats for a variety of ethics and compliance-related information, including: 1) information related to reports of ethics or compliance misconduct; 2) investigation of such reports; 3) employees' perception of Enterprise Compliance Management; and 4) cultural business ethics; develop and assist in the implementation of self-assessments of compliance systems, as appropriate; and oversee and facilitate assessments and audits of Enterprise Compliance Management.

Coordinate with the General Counsel to communicate personally and promptly on all matters involving compliance or ethics allegations pursuant to elevation protocols of ethics violations.

Regularly attend professional development opportunities and conduct benchmarking in order to stay apprised of best practices in the compliance field.

**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 manages two separate statutory insurance funds (the CEA Fund and the Wildfire Fund) that bear certain risks of losses from catastrophic earthquakes and wildfires. The core mission of the Authority is to manage, collectively, programs with aggregate cash under management of ~\$17 billion between the two funds, and aggregate catastrophe claim-paying capacity of ~\$40 billion. Ensuring the proper management and performance of these fiduciary programs requires enterprise-wide adherence to the strictest possible compliance standards and practices. Compliance functions are literally inseparable from the Authority's core missions. Without highly sophisticated compliance programs and resources, the Authority may be unable to carry out its core mission of paying natural catastrophe claims when the time comes.

**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. The Authority 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 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.

Since its inception in 1996, the Authority has grown to cover more than 80% of the residential earthquake insurance market which includes the additional private insurers that have come on board as Authority participants. The Authority has experienced almost explosive growth since 2016. Today, the Authority has 24 participating insurers and covers more than 1.1 million policies throughout California, with more than \$18 billion in claim-paying capacity and more than \$850 million in annual premium revenue. The Authority is the largest purchaser of catastrophe reinsurance in the United States, and the second largest in the world. Although the Authority is publicly managed, its business purpose is comparable to that of a private-sector residential-property-insurance company. That means the organization requires professional reinsurance expertise on-staff to fulfill its mission.

In July 2019, the Legislature enacted AB 1054, an urgency measure to address the instability in the state's public utility market related to utility-caused wildfires. AB 1054 created a new \$21 billion insurance fund – the Wildfire Fund – and assigned to the Authority the duty to stand-up and administer the Wildfire Fund. The Authority's duty to maintain catastrophe related claim-paying has grown to nearly \$40 billion.

In sum, the combination of the growth of the Authority's earthquake insurance business, coupled with the assignment to act as Administrator of the California Wildfire Fund, has required the Authority to seek to upgrade certain key positions to properly staff up to ensure it can meet its mission.

### 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 Authority is committed to the highest ethical standards and strictest adherence to federal, state laws and regulations and has set a directive for the development for a comprehensive enterprise compliance program. As Enterprise Compliance Management Roadmap is implemented and matures into a robust and comprehensive program, new policies, protocols, procedures, and educational programs will be developed and implemented. Additionally, new policies will be developed and implemented to address new and evolving risks impacting the Authority and its staff. In the first phase of program development, the Director of Enterprise Compliance Management (DECM) will coordinate and oversee the development, revision, issuance, distribution and enforcement of the current Authority compliance policies and procedures, including but not limited to policy areas listed below. The DECM will enhance, develop and implement new policies in additional phases.

- Ethical and Fiduciary Conduct: Sets forth the ethical responsibilities of staff.
- Statement of Ethical Conduct: Sets forth the activities that are inconsistent or in conflict with the duties of staff.
- Ethics Training: In addition to State of California required Ethics training for certain state officers, the DECM will develop ethics training for Authority staff promoting an enterprise-wide culture of business ethics.
- The Enterprise Compliance Management Division will be the central point of contact regarding the following compliance activities at the Authority:
  - o Statement of Economic Interests (Form 700)
  - o Incompatible Activities Agreements
  - o Confidentiality, Non-Disclosure and Acceptable Use Agreements
  - o Gift Policy
  - o Public Records Act Policy
- Ethics and Compliance Hotline – Provides for anonymous reporting of alleged unethical behavior. Complaints are independently investigated by the DECM or their designee.
- The program also refers Authority staff to the following compliance reporting resources:
  - o Pension Abuse Reporting Hotline
  - o Whistleblower Hotline
- The CEA position will direct the enterprise compliance aspects of developing policies to ensure the Authority can meet its unique statutory requirements in an ethical and fully compliant manner.

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

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

The proposed position will have independent authority to report to the CEO and the Board any serious or systemic compliance issues occurring identified and unremediated within the organization, and ensure that the department programs have the resources needed to perform their work efficiently and effectively.

The CEA will be empowered to take remedial measures in response to ethics and compliance complaints, and to communicate directly with any other Department that shares oversight (e.g., Department of Insurance, as the Authority's insurance business regulator, and the FPPC, among others).

The CEA will independently direct staffing of compliance functions to ensure communication, monitoring and enforcement of compliance policies.

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

Both. The CEA will be both implementing new compliance policies (Wildfire Fund) and enhancing existing policies (earthquake).

The primary function of the CEA position will be to develop and implement compliance policies, standards and protocols and ensure an effective implementation of program goals (new and existing). The CEA will develop and implement on-going education programs to create program awareness and ensure compliance with local, state, and federal regulations. As the program grows, the CEA will develop new policies that continue to mature compliance principles and culture and strengthen compliance and control foundations. Each year the Authority conducts environmental scan activities including assessing the Authority's strengths, weaknesses, opportunities, and threats (SWOT), potential legislative changes, and current and future projects that impact the durability of the programs.