

# California Assembly Select Committee on Insurance Reform

## Highlights from hearing, May 14, 1998

Diane Martinez, California Assemblywoman, chaired the Assembly Select Committee Hearing on May 14, 1998 in San Francisco at the behest of California Assembly Speaker Villaraigosa to gather information in the area of insurance reform.

Representatives from the insurance industry, consumer groups, the Seismic Safety Commission and the Department of Insurance gave testimony.

The insurance industry was represented by Lynnea Olsen, vice president, Association of California Insurance Companies, and Dan Dunmoyer, President, Personal Insurance Federation. They stated that the California Earthquake Authority (CEA) was created to make earthquake insurance available to property owners because the major insurers had withdrawn from this high-risk market. The Northridge earthquake was the second largest claim loss ever suffered by the insurance companies, while the Loma Prieta earthquake loss ranked tenth. Without homeowner insurance available, homeowners and real estate agents were unable to sell property. They also stated that the CEA was envisioned as offering minimum protection to everyone, which would be augmented by a wrap-around policy (which never materialized.)

Marianne Perron, member of the North Hills Steering Committee, was invited to testify as a member of the consumer groups. She and other consumers testified that the CEA policies offered to them provided less dwelling, personal property and loss of use coverage and higher deductibles and premiums than their prior homeowner insurance policies. They rejected the CEA policies and subsequently discovered that GeoVera and Pacific Select Insurance Companies, among others, offered coverage similar to their prior coverage at rates much less than that charged by CEA.

Mark Leonard, Legislative Coordinator, California Earthquake Authority, and Bill Gates, Attorney / Commissioner, Seismic Safety Commission differ significantly in their estimates of how many people took out CEA insurance. Leonard quoted Commissioner Quackenbush's statement that

1,600,000 policies were issued, and that CEA represents 70% of homeowners. He also estimated that GeoVera and Pacific Select represent about one-half percent of homeowners. Bill Gates believes the 1998 CEA enrollment figures are closer to 900,630.

The majority of the hearing was devoted to testimony about why the CEA was not offering benefits expected by consumers. Insurance representatives stated that the goal of the CEA is to accumulate capital, which they cannot do if they increase benefits or reduce premiums. An insurance department staff report about the CEA rates was very critical of the rate setting methods, concluding that the rates were set improperly in a variety of ways.

Some of the significant faults of the CEA rate-setting procedures are that the best available (seismic) data were not used; and the territorial rates applied are faulty. For instance, some territorial rates assume that all houses are built of non-frame construction, while adjoining territorial rates assume only frame construction. In addition, the CEA has not allowed any discount for retrofit.

It was recommended to the Commissioner by several panelists to amend the rating granted to CEA to allow a reasonable discount for retrofitting and to authorize a multi-year rate plan. Insurance representatives did not include a retrofitting discount because they state that there are no reliable actuarial studies on savings made by retrofitting, although a study is presently underway at the U.C. School of Architecture.

The general conclusion from the hearing was that the CEA is generally out of compliance with insurance regulations, and that little has been done to bring the CEA into compliance since its formation as an emergency measure. As long as the CEA perceives its goal as the accumulation of capital, little will be done to meet consumer needs and expectations. The present coverage is so poor that private insurers are re-entering the earthquake insurance market and providing better coverage at lower rates.

# FIRE CODE COMPLIANCE AND FUEL REDUCTION PROGRAMS FOR FISCAL YEAR 1998-99

There are two programs being implemented in the fire hazard area of the Oakland Hills. One is voluntary and the other is a continuation, with limited financing, of what we used to know as 'weed abatement.' This actually includes the Fire Code Compliance and Fuel Reduction Programs which is concerned with the elimination of all hazardous vegetation.

All programs will work towards achieving the goal of 80% compliance (about the same under the old Fire Suppression District) and will involve:

1. Implementation of a self-inspection program that will be spot-checked by the Fire Prevention Bureau.
2. Concentration on high-priority properties early on in the inspection program.
3. Shifting inspection resources by using other department code enforcement inspectors on a temporary basis.
4. Revising the contracting procedures by using only seasonal crews hired and supervised by Parks and Recreation to clear non-compliant properties.

## FIRE CODE COMPLIANCE AND FUEL REDUCTION

The Fire Services Agency's Fire Code Compliance Program handles property inspections and enforcement. The engine companies inspect private properties and inspectors follow through on citations. Inspectors will also be assigned to work with unimproved property owners including properties owned by public agencies such as CalTrans, etc. This is very much as it was under the old fire suppression district. The plan now calls for using in-house inspectors drawn temporarily from other code enforcement departments within the Fire Prevention Bureau except for two inspectors that will be (hopefully) included in the budget for 1998-99. Fire Marshall Blueford indicated he could field about 10 inspectors on a temporary basis from other departments within the Fire Prevention Bureau. He estimates that the total number of properties involved total 27,000.

The proposed budget for 1998-99 is \$385,572, of which about two-thirds is for the Fire Code Compliance Program and one-third for the Fuel Reduction Program. Parks and Recreation would work on hazardous vegetation on over 400 City properties using volunteer crews.

A very significant change is that Parks and Recreation plans to hire, supervise, and pay seasonal crews to clear hazardous vegetation on non-compliant private properties on referral from the Fire Prevention Bureau. This would eliminate the bidding process and thus save time in removing the hazards. They hope for an offset of about \$182,758 in revenues (I assume the offset

comes from assessments levied against non-compliant property owners). It is my understanding that the city hopes to finance these programs by reorganizing departments and getting more bang for the buck by developing more efficient ways of doing things. There were some funds left from the old Fire Suppression District. These funds terminate in July 1998 except for the prepaid goat-grazing program, which runs through September 1998.

The city is also being creative in developing cost-effective ways to manage fuel loads by recruiting workers from:

1. Sheriff's weekender work furlough program.
2. Possible use of young people 17 to 22 if the costs can be covered by federal funds under the Summer Youth Employment Training Program.
3. Community service like the "I Mean Clean Program" in Grass Valley.

## VOLUNTEER PROGRAM

In a press release on June 15 a voluntary weekend program planned by the Chabot Park Estates Association in Oakland's Grass Valley District was announced to be coordinated by the Public Works Agency.

The NHPA and other neighborhoods do the same thing. All that is needed is to organize the neighborhoods. Call the Public Works Agency at 238-7630 at least two weeks before the clean-up to arrange for tools, debris bags and for debris bags to be picked up. Involved council members can schedule dumpsters. City Parks and Recreation will furnish chippers. In the Grass Valley District, young volunteers from Team Oakland will provide trucks and labor to help residents organize and recycle combustible material. The press release suggested a neighborhood potluck picnic after a successful weekend of clean up.

## CALTRANS

On the 30th of June Oak Fire Marshall Jerry Blueford along with Parks and Rec, and a FEMA rep met with CalTrans Joe Lieber, District Branch Chief of CalTrans. They surveyed the Hwy 24 and 13 corridor. Caltrans wants a grant from FEMA to clear trees, shrubs and combustibles. They discussed what to cut, how to cut, and what not to cut in light of community pressure not to destroy privacy. They agreed to set up a community meeting. They are now trying to figure out when and where and how to notify the community. Joe Lieber's phone is (510) 286-5920 and his fax is (510) 286-5952.

– Bruce Black

# DRURY ROAD SLIDE MEETING JUNE 24, 1998

Original neighborhood meeting on March 24, 1998 identified the Drury Road slide problem and local property owner concerns regarding repair, possible damage to underground utilities, drainage, and fire season emergency egress from neighborhood.

A second neighborhood on May 27, 1998 addressed several proposed repair schemes as prepared by civil engineering firm based on geotechnical analysis which were deemed all but non-implementable due to lack of City funds. All the same concerns by local residents were voiced: possible damage to underground utilities, drainage, repairs designs, fire season emergency exiting, concern over lack of funding.

A third meeting on June 24, 1998 was held at City Hall at request of Jane Brunner along with Ms. Brunner's organization of neighbor "task force" consisting of 6 or 7 local property owners to represent the neighborhood and to determine what *needs* to be done, what *can* be done, and what *cannot* be done, given the funding constraints.

Public Works member discussed description of slide and proposed repair cost at \$2-2.5 million, a staggering sum for Public Works in light of other street problems in the City. However, due to emergency egress requirements, underground utilities etc., Drury Rd. is by far the priority issue for the City and it is the most expensive repair due to the depth of the slide. Public Works is looking at keeping Drury Rd. open, with a "stepped" approach to the repair which, ideally, would require a deep-pier or steel beam vertical cantilever retaining wall, but there are no funds for this at present. There was a discussion of FEMA money requested and owed but attorneys cautioned that trying to collect funds from FEMA could take years.

Public Works presented as their first step a repair plan to install horizontally-placed, perforated drain pipes in several locations and elevations within the Drury Rd. slide area which will remove underground water, and rebuild collapsed portion of road. Based on past experience this will *reduce the slide risk* but not *repair the slide*. However, there is funding for this initial repair and so it can be started late August or early September 1998 with about a 4 week installation schedule. The road and hillside will be monitored over the winter – if it keeps

sliding then permanent repairs will have to be addressed for next summer. The pipes will drain into a storm drain system that will be constructed simultaneously; the water will ultimately drain into the Bay. There are several private properties involved in the slide area so the City and owners will need to negotiate and establish easements.

Woodward-Clyde, geotechnical consultants, described 4 borings: two on Drury Rd., one on downhill private road, one on Besito. They found a deep-seated rock slip plain 40' - 45' down which has moved in the past and can move again. The proposed horizontal drains intercept the slip plane and draw water out – the probability of success at halting the slide due to this "dewatering" procedure is deemed at about 80%. Inclinometers will be installed to monitor further movement.

Neighborhood task force members emphasized the need for placing the highest priority on emergency egress during all construction phases so that Drury Rd. will be kept open at all times, especially during the upcoming fire season. The Public Works Director appreciated and concurred with these concerns and assured that one lane will be kept open at all times and *both* lanes open at night. Contractors have assured him in the past that, under similar conditions, their equipment can be dismantled and moved within 10 minutes. (!) (?) Task force members asked that those special emergency situation requirements such as mandated lane openings be written into all contracts between City and contractors and that on red-flag alert days (high-fire danger) all construction be *completely stopped*.

Task force members requested that the City stop property sales on slide area. Phil Grubstick (CEDA) stated that all presently-owned properties on the slide area will be "flagged", and that for any future permits within slide area, applicants must submit geotechnical report mitigation measures prior to issuance of permit.

Summation: 1 Stabilize the Drury Rd. slide as per the proposed horizontal drainage "dewatering" system. (2) Call another meeting in 30 days to assess progress. (3) Discuss the probability of funds remaining extremely limited for permanent repair and the possibility of establishing an assessment district to help defray the costs.

– Marc Feldman

## COMMUNITY POLICING

Since Community Policing came into effect in January of this year, Officer Jason England and myself, have been working with various Home Alert groups and neighborhood associations. We attend meetings and work on problems directly affecting the quality of life issues in our neighborhoods. We are now at the point of organizing an NCPC, Neighborhood Crime Prevention Council. I would like to organize a small group of people for a steering committee to organize a large outreach meeting for the Hill Police Beat 13Y.

Anyone interested in participating in a new, exciting program with community policing, please contact: Leigh Renteria, Neighborhood Service Coordinator, OPD, at 615-5929.

– Leigh Renteria

## STORM DRAINAGE TASK FORCE

I am one of Jane Brunner's two appointees on the Oakland Storm Drainage Task Force. The Storm Drainage Task Force will review current City storm drainage policies regarding operations, maintenance and new development and recommend revisions to those policies when such revisions would benefit the greater good of the City. The Task Force will also review the City's current maintenance and capital improvement programs for storm drainage and recommend changes to those programs where needed. The Task Force will recommend funding strategies where needed to implement the proposed policy changes and will present recommendations to the City Council within one year.

Please get in touch with me if you have input or questions related to drainage. We hope to use the results of a concurrent survey of current drainage facilities in the hill areas of the city to make recommendations to improve public and private drainage in the Oakland. Meetings are usually 4- 6 P.M. on alternate Thursdays down at City Hall.

– David Kessler, 843-5122,  
E-mail: dkessler@library.berkeley.edu

## STREET REPAVING UPDATE

Many of us have wondered why only some of the streets have been repaved. As part of the undergrounding district, the City of Oakland promised us that all of our streets would be repaired immediately after the trenching. Why has Oakland not kept its promise?

In July of 1992, Oakland received a letter which it believes committed FEMA to repairing all of the roads. However, subsequent analysis from FEMA concluded it did not have the authority to make a complete replacement and could only pay for 21% of the damage. It said that it cannot be bound by the unauthorized actions of its employees. In August of 1997, Oakland appealed FEMA's decision and said that FEMA should pay for 80-90% of the damage. In March of 1998, FEMA again denied the request from Oakland to pay for the resurfacing the road.

FEMA declared that it would only pay for damage of the roads due to trucks in the first 6 months after the fire. (They ignored the fact that we were told not to remove foundations until much later.) FEMA used a model to predict road damage and to take into account the fact the roads had a finite lifetime before the fire. FEMA's model assumed that the trucks were traveling on flat streets rather than the extra damage caused by breaking and accelerating on hills. Using their analysis, they increased their reimbursement to 34%. I have not yet been able to determine if Oakland has appealed this latest FEMA decision.

– Howard Matis

### COMMUNICATING WITH THE NHPA

The NHPA is a community based organization. We like and need to hear from you. There are several ways to contact us. Call the hotline to leave messages and receive recorded information. (510) 273-9111.

E-Mail: Use [info@nhphoenix.org](mailto:info@nhphoenix.org) if you have questions, ideas, suggestions etc. For membership inquiries use [membership@nhphoenix.org](mailto:membership@nhphoenix.org). To contact the newsletter use [newsletter@nhphoenix.org](mailto:newsletter@nhphoenix.org). The newsletter is always looking for article suggestions and for writers.

<http://www.nhphoenix.org>, our web page, is our newest communication tool. This is a great source for information about the NHPA, activities and links to other sites of interest to Oakland residents.

Postal address is NHPA P.O. Box 20784, Oakland CA 94620

Yes! I want to join/renew with the North Hills Phoenix Association. I have enclosed my annual membership fee of \$35 payable to the North Hills Phoenix Association.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone –Home \_\_\_\_\_ Office \_\_\_\_\_

Fax: \_\_\_\_\_ E-Mail \_\_\_\_\_

North Hills Phoenix Association, P.O. Box 20784, Oakland CA 94620

Phone: 510-273-9111

Although the NHPA is a non-profit organization, membership is not tax-deductible. E-Mail: [nhpa@nhphoenix.org](mailto:nhpa@nhphoenix.org)

North Hills Phoenix Association  
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Phone 510-273-9111

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## **Councilmember Jane Brunner's Community Picnic**

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**Lake Temescal  
Sunday August 2, 1998 1- 5pm**

**For information call 238-7001**

## **Phoenix Emergency Preparedness Fair**

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**North Oakland Sports Center  
Caldecott & Tunnel Road  
(on frontage road adjacent to Hwy. 24)**

**Sunday, September 20, 1998  
12- 4:30pm.**

**Bring the whole family**

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**NHPA Newsletter editors – Marc and Vallery Feldman**