



# COUNTY OF SANTA CRUZ (213

## Personnel Department Risk Management

701 OCEAN STREET, SUITE 310  
SANTA CRUZ, CA 95060

TELEPHONE: (408) 454-2600  
FAX: (408) 454-2245  
TDD: (408) 454-2123

AGENDA: June 8, 1999

BOARD OF SUPERVISORS  
County of Santa Cruz  
**701** Ocean Street  
Santa Cruz, CA 95060

### FEMA'S PROPOSED CHANGES TO PUBLIC ASSISTANCE INSURANCE REQUIREMENTS

Dear Members of the Board:

We have recently been informed that the Federal Emergency Management Agency (FEMA) has proposed changes to the regulations pertaining to Public Assistance Insurance Requirements. The regulations will require that as a precondition to receiving federal disaster funds for repairing damaged County buildings all buildings must have earthquake insurance. We understand that this has been undertaken in an effort to assure adequate accountability and responsibility on the part of those who receive assistance from FEMA, and to stem the escalation of federal disaster relief costs. As you know, the costs of such coverage is very high.

The Governor's Office of Emergency Services hosted a meeting in Oakland regarding the proposed changes. The purpose of the meeting was to inform affected public agencies of the proposed changes and to share concerns about the regulations in their current form. The final draft of the proposed regulations is currently being prepared by FEMA and is scheduled to be filed in the Federal Register on June 15, 1999. The final draft will then be open for a 90-day review and comment period, after which the regulations will become law.

We are concerned with the expedited process that FEMA has undertaken developing these regulations and the lack of input from the affected public agencies. Specifically, there does not seem to have been adequate analysis of the impact of these proposed changes. In addition, the proposed changes appear to provide FEMA with room for interpretation after a disaster has occurred.

As a result, the Governor's Office of Emergency Services, CSAC-Excess Insurance Authority and many other California public agencies are concerned about the proposed changes and will be writing FEMA to request that the implementation of the changes be delayed in order to allow sufficient time for appropriate research and analysis by the affected public agencies and the insurance market as to the potential impact.

Currently, the County purchases property insurance through a Joint Powers Authority, the CSAC-Excess Insurance Authority. At this time, it appears that our program is in compliance with the proposed regulations. However, more time is needed to carefully evaluate the proposed regulations. In the event that the property insurance market changes in the future and insurance coverage becomes more difficult to obtain, it may become difficult to comply with the proposed regulations.

Therefore, it is RECOMMENDED that the Chairperson of the Board be directed to prepare and forward a letter to the Director of FEMA, Senator Dianne Feinstein, Senator Barbara Boxer, Congressman Sam Farr and Congressman Tom Campbell urging a delay in the publication of the proposed regulations in the Federal Register to allow sufficient time for all affected parties to research and analyze the impact of the proposed changes and provide these comments to FEMA.

Very truly yours,



Dania Torres Wong  
Personnel Director

DTW: JM/jm

Attachments

cc: CSAC-Excess Insurance Authority

RECOMMENDED:




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SUSAN A. MAURIELLO  
County Administrative Officer

To:

The Honorable James Lee Witt, Director  
Federal Emergency Management Agency  
Federal Center Plaza  
500 C Street, S.W.  
Washington, DC 20472

Senator Dianne Feinstein

Senator Barbara Boxer

Congressman Sam Farr

Congressman Tom Campbell

#### FEMA'S PROPOSED CHANGES TO PUBLIC ASSISTANCE INSURANCE REQUIREMENTS

The County of Santa Cruz has recently been made aware that the Federal Emergency Management Agency (FEMA) is in the process of enacting regulations pertaining to the Public Assistance Insurance Requirements. We understand that this has been undertaken in an effort to assure adequate accountability and responsibility on the part of those who receive assistance from FEMA, and to stem the escalation of federal disaster relief costs. Our Board supports these goals. We do, however, have concerns regarding the proposed regulations, the potentially adverse affect they may have on the County of Santa Cruz, and the seemingly insufficient analysis on their overall impact.

The County of Santa Cruz participates in a statewide Joint Powers Authority for property insurance managed by the CSAC-Excess Insurance Authority. Insurance is obtained through the joint purchase of insurance, pooling or a combination of both. The program provides "all-risk" coverage including flood and earthquake. The structure of this program is one of the most sophisticated in the entire state and represents an extremely efficient use of public funds.

We believe that our current property insurance program complies with the insurance coverage requirement in the proposed regulations. However, we recognize that the commercial property market runs in cycles and we are concerned with the possibility of having to obtain "adequate" limits in a difficult insurance market. There is a very real possibility, as we have seen in the past, that capacity, particularly earthquake capacity,

could become totally unavailable. We further feel that the waiver provision that seemingly is designed to address this situation is administratively unrealistic and unresponsive.

Finally, we are concerned with the speed by which these changes are being processed and the seemingly insufficient input and analysis from the affected public entities, the risk management community and the insurance industry. We have just recently been made aware of this proposal, have not had an opportunity to participate in public discussions, and have significant questions and concerns over the interpretation of the proposed regulations.

Accordingly, the Santa Cruz County Board of Supervisors hereby requests that you delay the publishing of the proposed regulations in the Federal Register scheduled for June 15, 1999 to allow sufficient time for all affected parties to research and analyze the impact of these changes.

Very truly yours,