

August 15, 2011

To whom it may concern:

We are writing to express our strong and enthusiastic support for the Earthquake Insurance Affordability Act. This measure will help avert a looming crisis by making earthquake insurance an affordable, viable option for California homeowners.

Nearly 90% of Californian homes are not financially protected against the risk of an earthquake. After the devastating Northridge quake in 1994, private insurers stopped selling earthquake insurance. The California Earthquake Authority was formed to offer consumers the opportunity to buy this coverage. Due to the high cost of private *reinsurance*, the CEA has never been able to offer coverage that is affordable enough for most Californians – and as a result the vast majority of homes remain uninsured for earthquake losses.

The Earthquake Insurance Affordability Act will allow the CEA to substitute a portion of its high-cost reinsurance with an ability to borrow money in the private debt markets – *after an event, and backed by a federal guarantee*. The Earthquake Insurance Affordability Act will allow the CEA to:


- Charge less for their products, saving consumers nearly \$1 billion over the next 5 years, and;
- Lower deductibles by at least 50% - making the insurance far more likely to cover claims and therefore a more attractive product to consumers.

The Earthquake Insurance Affordability Act does not create a new federal program, nor does it contemplate a significant expenditure of federal dollars. In the unlikely event that CEA would ever need to borrow money (there is only a 0.5 – 1% chance this would ever be necessary), the CEA would be able to repay this debt over time with a modest premium adjustment imposed at that time.

Earthquakes are a serious and constant threat in California. We want Californians to protect their property and not cling to an unrealistic assumption that the federal government will swoop in and repair their home after the next big quake. We have worked closely with CEA staff over the past several years to improve the quality and lower the cost of the protection they sell. The Earthquake Insurance Affordability Act allows the CEA to do just that, we strongly support its passage.

Californians need the opportunity to buy insurance that will protect their homes against the high risk of catastrophic earthquake damage that exists in our state. Passage of The Earthquake Insurance Affordability Act will provide that opportunity.

Sincerely,



Amy Bach
Executive Director

Board of Directors

Amy Bach
Executive Director

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