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November 2, 2007

Bruce Patton, Senior Staff Counsel
California Department of Insurance
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Sacramento, CA 95814
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Re: Comments on Proposed Action – The California Earthquake Authority

Comments submitted via email and facsimile

Dear Mr. Patton:

The Personal Insurance Federation of California (PIFC), representing both participating and non-participating insurers in the California Earthquake Authority (CEA), thanks the Department of Insurance (Department) for the opportunity to provide written comments on the proposed regulations that would merge the CEA's base-limits and optional-limits programs.

The proposed amendments to the regulations are consistent with our previous discussions with Department and CEA staff, as well as discussions related to SB 430 (Machado), legislation that PIFC supported to ensure the continued financial viability of the CEA. Combining the finances of the two programs will allow the financial stability enjoyed by the base program to extend and benefit the supplemental program.

PIFC would, however, like to affirm its agreement reached during negotiation of SB 430 that each CEA program will continue to stand on its own as it relates to rating, and that one program will not be used to subsidize the other program. It is our view that, as proposed, the regulations would continue to require the rates for the base-limits and optional-limits programs to each be actuarially sound on its own, with no cross-subsidies of one program by the other.

In addition, PIFC would also like to note our understanding that the proposed regulatory changes will not modify the current mandatory offer obligations of CEA participating insurers under Insurance Code Section 10082(a). With the merger of the base-limits and optional-limits programs through the proposed regulations, CEA participating insurers would continue to satisfy the mandatory offer obligation by offering the base limits CEA policy without a mandatory offer of the optional-limits coverages.

If the Department has any contrary understanding of the foregoing issues related to (a) separate rating of the base and supplemental programs or (b) a participating insurer's obligation with respect to satisfying the mandatory offer of earthquake insurance, we respectfully request that the Department indicate such views in a public manner prior to submitting its proposed rule for final approval by the Office of Administrative Law.

Thank you for your consideration of these comments. If you have any questions, please do not hesitate to contact Kimberley Dellinger at (916) 442-6646.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kimberley Dellinger', with a large, stylized flourish at the end.

Kimberley Dellinger
General Counsel

cc: Rex Frazier