

MEMORANDUM

Date: August 27, 2007

To: The Honorable Mark Leno, Chair
The Honorable Mimi Walters, Vice Chair
Members, Assembly Appropriations Committee

From: Rex D. Frazier, President
Michael A. Gunning, Vice President
Ermelinda Ruiz, Legislative Advocate

Re: SB 430 (Machado): Insurance: California Earthquake Authority
(CEA) - As Amended August 20, 2007
Assembly Appropriations Committee Hearing August 29, 2007
PIFC Position: Support



STATE FARM
FARMERS
21ST CENTURY
SAFECO
PROGRESSIVE
NAMIC

The Personal Insurance Federation of California (PIFC), representing insurers who write over 50% of all personal lines insurance sold in California, including State Farm, Farmers, Safeco, 21st Century, Progressive, and NAMIC, **supports Senate Bill 430** authored by Senator Machado.

SB 430 would create a new \$1,200,000,000 pool of capital in support of the California Earthquake Authority (CEA) to ensure the CEA remains a highly-capitalized fund that is capable of protecting California homeowners from multiple earthquake events. This new capital would be provided by the insurance industry at no cost to the State of California and for no compensation to the insurers. SB 430 would ensure that the CEA remains the largest state earthquake program in the country.

The CEA plays a vital role in the California economy. Without it, insurers would be unable to continue to sell homeowners' insurance in California – which is critical to ensure continued new and existing home sales. The CEA was created in 1996 with bipartisan support and a broad economic coalition, including realtors, builders, lenders, and escrow and title groups.

We are unaware of any fiscal costs created by SB 430. SB 430 involves no General Fund appropriations or added state costs.

The CEA represents a successful public-private partnership between the State of California and the insurance industry. SB 430 is necessary for the continued success of the CEA and would maintain the CEA's status as an "investment grade" fund.

For the above reasons, **PIFC supports SB 430 (Machado) and respectfully requests your "aye" vote**. If you have any questions, please contact Rex Frazier at (916) 442-6646.

cc: Senator Machado, Author
Julie Salley-Gray, Consultant, Assembly Appropriations Committee
Julianne Huerta, Consultant, Assembly Republican Fiscal Office
Mike Prozio, Chief Deputy, Legislative Affairs Secretary for the Governor
Kathleen Webb, Office of the Insurance Advisor

4. SB430-AsmApprop8-07

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