



February 1, 2010

Hon. Rep. George Miller
2205 Rayburn HOB
Washington, DC 20515-0507

Re: H.R. 4014 – Honorable Loretta Sanchez (D-CA)

Dear Representative Miller,

We are writing to express our strong and enthusiastic support for **H.R. 4014 – the Catastrophe Obligation and Guarantee Act (COGA)**. This measure is a refreshingly good idea that will once again make earthquake insurance an affordable, viable option for California homeowners, and we urge you to give favorable consideration to becoming a cosponsor of this bill.

As you know, nearly 90% of the homes in our state are not financially protected against the risk of earthquake. Following the devastating Northridge earthquake in 1994, nearly the entire private insurance market stopped writing earthquake insurance. The California Earthquake Authority was formed to offer consumers the opportunity to buy this coverage. Unfortunately, however, due primarily to the high cost of private *reinsurance*, the CEA has never been able to offer coverage that is meaningful enough and affordable enough for most Californians – and as a result the vast majority of homes remain uninsured for earthquake loss.

H.R. 4014, the *Catastrophe Obligation Guarantee Act*, will allow the CEA to manage this risk more efficiently. By allowing 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 CEA will be able to:

- Lower consumer costs by approximately 35% - 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 that will arise from the more likely earthquakes we expect to experience.

Fortunately, H.R. 4014 does not create a new federal program, nor does it contemplate a significant expenditure of federal dollars. The CBO scored a similar measure introduced in the Senate (S.886) and estimated that federal expenditures would not exceed \$25 million over 10 years under this approach. In other words, 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.

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Earthquakes are a serious and constant threat in California. We believe it is important for Californians to evaluate their own situation and take action to protect themselves 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 both improve the quality and lower the cost of the protection they sell. H.R. 4014 would allow the CEA to do just that, we strongly support its passage. We would very much appreciate it if you would join our cause, co-sponsoring this bill, and help get this important measure passed in 2010.

Working together we are confident that Californians will one day have the opportunity to protect their greatest asset from potentially catastrophic earthquake loss, with coverage that is both affordable extremely valuable.

Thank you,

Sincerely,

Amy Bach
United Policyholders

Doug Heller
Consumer Watchdog

Ken McEldowney
Consumer Action