

S. 637 (Feinstein, Boxer) - The Earthquake Insurance Affordability Act

Summary

The Earthquake Insurance Affordability Act (EIAA) would create a limited federal guarantee to support post-event borrowing, available only to pre-qualified, actuarially sound state programs that offer residential earthquake insurance.

S.637 will support and encourage the availability of private capital to provide liquidity and capacity to those state programs.

Programs with S.637 support will ease financial recovery from the next huge U.S. earthquake – a key ingredient of community resilience.

S.637 is a debt guarantee – not a direct loan and not a federal backstop.

Why S.637 Is Needed

Earthquake insurance is often not affordable. High premiums and high deductibles are a cost burden to most people.

Without earthquake-insurance protection, many families – and their communities – will never fully recover from a devastating earthquake.

S.637 will save the federal government money:

- With lower premiums and lower deductibles, more people can secure earthquake insurance. And with S.637, it will be fairly and appropriately priced.
- S.637 would significantly reduce the post-earthquake recovery burden now borne by the federal and state governments, local communities, and individual taxpayers, whether insured or not.

California Highlights

- California is home to two-thirds of our nation's earthquake risk.
- There is a 99.7% chance a significant earthquake will strike California in the next 30 years.
- 90% of California households are **not covered** by earthquake insurance.
- With S.637, the California Earthquake Authority (CEA) can cut its expenses by about \$100 million every year, with savings passed directly to its policyholders by a combination of:
 - Significantly reduced premium rates,
 - Reduced policy deductibles, and
 - A richer, enhanced range of new insurance-coverage options for consumers.

S.637 Legislation

- **S.637** – Dianne Feinstein and Barbara Boxer (CA)

Senator Feinstein said, "The tragedy and devastation of the recent earthquake in Japan was a real wakeup call. We cannot prevent an earthquake, but we must do everything we can to prepare for one by making sure that homeowners have access to affordable earthquake insurance coverage. This legislation will allow homeowners to get back on their feet and recover quickly in the event of a significant earthquake."

Senator Boxer said, "I am proud to join with Senator Feinstein to introduce legislation that would help homeowners in California access affordable earthquake insurance, which is critical to helping residents and communities recover and rebuild after the devastation of an earthquake."