

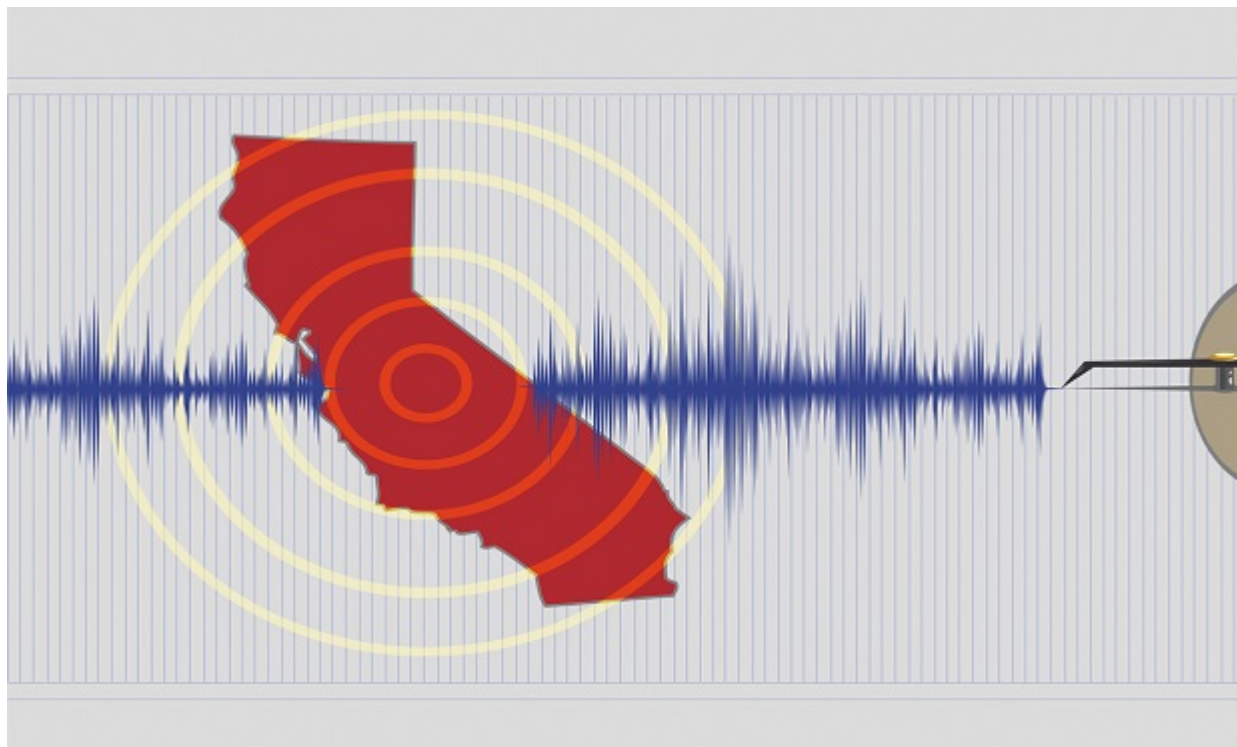
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## Getting ready for California's next big earthquake

Recent earthquakes in California delivered a powerful wake-up call.

By **Steven Steckler** | September 03, 2019



**Californians are right to be on edge, according to this contributor. He writes: “It’s become clear the state is woefully unprepared for dealing with a catastrophic earthquake.” (Illustration: Shutterstock/ALM Media archives)**

Southern California was recently jolted by two major earthquakes.

The first earthquake was a magnitude 6.4 (<https://www.propertycasualty360.com/2015/03/31/ground-shaking-facts-about-u-s-earthquakes/>) that struck on Independence Day. This was followed by a 7.1 magnitude earthquake the next day, which was soon deemed the main event in the series.

Both events occurred near the city of Ridgecrest, about 125 miles north of Los Angeles in the Mojave Desert. More than 4,000 aftershocks of various intensity occurred in the ensuing days.

The earthquakes caused an estimated \$200 million in property damage, according to a catastrophe modeling report from Karen Clark and Co. that also was also referenced in *The Wall Street Journal*. But this estimate does not include damages to infrastructure such as roads, which will be a costly fix for California and its residential communities.

The earthquakes also would have been many times more catastrophic had they hit Los Angeles directly.

One thing is certain. The quakes delivered a much-needed wake-up call and reminded Californians of a vital truth: We're not prepared for the next major earthquake (<https://www.propertycasualty360.com/2018/10/04/preparing-for-the-next-big-earthquake/>).

## **Lessons from history**

The last major seismic event to hit the state was 1994's Northridge Earthquake, a magnitude 6.7 tremor that struck Los Angeles and caused up to \$44 billion in damages. The coming of the next major quake is a matter of when, not if. Experts almost unanimously agree that California is already overdue for the next one. A July 2018 study by the California Department of Insurance reported there is a 99% that a magnitude 6.7 tremor hits the state within the next 30 years.

When it does, the damage will be unmistakably catastrophic.

Californians are right to be on edge

(<https://www.propertycasualty360.com/2018/05/04/san-francisco-earthquake-could-affect-1-1m-homes-c/>). It's become clear the state is woefully unprepared for dealing with a catastrophic earthquake.

Though the majority of Californians live within 30 miles of a fault line, the majority of them do not have earthquake insurance, according to the CDI report referenced above.

It may sound absurd, but it becomes understandable when you realize that earthquake coverage isn't included in general homeowners' policies, not required to obtain a mortgage, and potentially double a policy's price tag.

It also means that millions of California residents will find themselves in big trouble when the infamous 'Big One' does hit.

## **Pricey product**

The one million Californians who have purchased earthquake coverage aren't always better off. Premiums in high-risk areas are doubling, even tripling, in response to the most recent events, as insurers do their best to mitigate risk.

Rate hikes hit Southern California residents particularly hard. While Sacramento area residents reportedly pay as little as \$300 annually, premiums around Los Angeles could reach about \$2000 or more a year with newer rates on the horizon.

It's worth pointing out that California has taken positive steps toward earthquake readiness, such as spending \$16 million to install thousands of tremor-detecting sensors in a project known as ShakeAlert. This sensor system can detect imminent quakes and render early warning signs needed to shut down utilities and trains before perilous shaking begins. A few seconds warning could be vital for saving lives of those at risk.

Another positive development: The U.S. House of Representatives passed the Pacific Northwest Earthquake Preparedness Act of 2019

(<https://www.congress.gov/bill/116th-congress/house-bill/876>), which requires the

Federal Emergency Management Agency (FEMA) to develop a plan for the purchase and installment of an early warning system in case of earthquakes on the Cascadia subduction zone, which measures 700 miles from Vancouver Island to the Northern California coast. The danger posed by offshore earthquakes is the resulting tsunamis, which can devastate coastal communities.

## **The insurer's role**

Property & casualty carriers must be prepared to do their part when earthquakes hit California, or anywhere else. Much of the responsibility for rebuilding and recovering after a disaster belongs to insurance carriers. This may mean raising rates to mitigate risk, while keeping fair numbers for homeowners in mind to ensure they get the coverage they need. It also means being ready to deal with a massive influx of claims, as well as advocating for legislation and earthquake prediction systems that help lessen destruction.

Never knowing for sure when the next major earthquake will strike may lead to wishful thinking (or in some cases, willful denial) about such a likelihood. There remains a demand for active preparation and vigilance. Insurance companies should be using their positions to lead the way in earthquake recovery, and that starts with being prepared.

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