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Northridge earthquake remembered as one of costliest natural disasters in U.S. history

More retrofitting of older houses needed for reduction of repair costs and safety

(SACRAMENTO) Next week marks the 25th anniversary of one of the costliest natural disasters in U.S. history, the magnitude 6.7 earthquake that struck on Jan. 17, 1994, in an urban area just 20 miles northwest of Los Angeles.

The quake destroyed or severely damaged thousands of single-family homes, apartments and mobilehomes, displacing about 22,000 people from their homes and causing residential damage estimated at more than \$20 billion—the equivalent of nearly \$35 billion today—about half of which was insured.*

“Many of the hardest-hit areas became known as ‘ghost towns’ when residents abandoned entire neighborhoods because building owners could not afford the cost to rebuild,” said California Earthquake Authority (CEA) CEO Glenn Pomeroy. “We need to double down on our commitment to earthquake resilience to ensure the ghost towns never return.”

Today, the area affected by the Northridge earthquake is home to about 2.6 million homes that were built before 1980, when seismic building codes were put in place statewide. During past earthquakes, such as the Northridge quake, older, unretrofitted homes have performed poorly—suffering significantly more damage than retrofitted or newer ones.

If the Northridge earthquake were to reoccur, CEA estimates that more than half of its policyholders who felt strong shaking could be prompted to file claims, and that covered claims could add up to more than \$6 billion—well within CEA’s claim-paying capacity.

Only about 13 percent of Californians who have residential insurance also have earthquake insurance. As a result, if a Northridge-magnitude earthquake were to strike somewhere in California again—which scientists say is a [near certainty](#) within the next 30 years—many Californians could be on their own to pay to repair or rebuild their houses, replace their belongings, and live elsewhere until important repairs were completed.

“If our housing stock remains so vulnerable to earthquake damage, it’s not just individual homeowners and renters who could be affected,” Pomeroy said. “Entire communities could suffer from dramatic impacts that cause housing shortages—which are already a problem in California—to skyrocket to levels far beyond those previously seen in our state.”

California faced a different kind of financial crisis after the Northridge earthquake, when insurers discovered they had underestimated the costs associated with a major seismic event. Many insurers no longer wanted to offer earthquake coverage, and because California law required that residential insurers offer earthquake insurance when selling residential policies, these insurers chose to abandon the market altogether. By 1995, the companies representing nearly 95 percent of the California residential insurance market had either restricted or stopped offering homeowners policies. Unavailability of home insurance meant that potential purchasers of homes could not get the homeowners insurance required to take out a mortgage, which sent the California housing market into a tailspin.

To solve that crisis, the California Legislature created the CEA, which opened for business in 1996 as a not-for-profit provider of residential earthquake insurance.

CEA now offers more residential earthquake coverage choices, deductible options and affordable rates. Changes in CEA earthquake insurance that started in 2016 helped prompt record policy sales, and in late 2017, CEA surged past the 1 million mark in total policies in force for the first time.

In 2013, CEA created the Earthquake Brace + Bolt (EBB) program, which offers grants of up to \$3,000 to help cover the cost of bracing and bolting raised foundations beneath older houses. To date, more than 7,000 older houses in high-hazard ZIP Codes statewide have been retrofitted through the EBB program. Additional qualifying ZIP Codes are added each year, as EBB funding allows, to help more owners of older houses, regardless of whether they have a CEA policy. CEA policyholders who properly retrofit their eligible older houses can get a premium discount of up to 20 percent.

“We’re committed to helping our fellow Californians protect their finances from the costly repairs caused by damaging earthquakes,” Pomeroy said. “We’re also working really hard to find additional funding needed to help more Californians retrofit their older homes before the next damaging earthquake strikes.”

To learn more about earthquake insurance, seismic retrofitting and other ways to prepare your home and your family, visit EarthquakeAuthority.com. For more information about the Northridge earthquake, and to see images of the damage it caused, watch CEA’s video about it on [YouTube](https://www.youtube.com/watch?v=1111111111).

About CEA

The California Earthquake Authority (CEA) is a not-for-profit, privately funded, publicly managed organization that provides residential earthquake insurance policies and encourages Californians to reduce their risk of earthquake loss. Learn more at EarthquakeAuthority.com.

*Information about the 1994 Northridge earthquake and the damage it caused came from [The Northridge Earthquake, USA, and its Economic and Social Impacts](#), the [Southern California Earthquake Data Center](#) and the Public Policy Institute of California’s [Just the Facts: Northridge Earthquake](#). The dollar amount for 2019 was calculated using the U.S. Bureau of Labor Statistics’ [CPI inflation calculator](#), without adjusting for significant changes in the area’s population density, building types or other factors. Information about impacts from a hypothetical Northridge earthquake reoccurrence came from CEA and are based on HAZUS, a methodology for estimating losses from disasters.