

Techquake: The Biggest Threat to California's Tech-Sector May Lie Directly Beneath its Feet

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California's technology sector has had a tough year with state and federal policymakers, to say nothing of the general public. Concerns about the size and scope of internet firms have led to a "techlash," bringing with it uncomfortable hearings and the resurrection of truly noxious policy ideas, like the Fairness Doctrine.

Yet the biggest threat to California's tech sector may not have anything to do with how these firms operate. Rather, it may be the seismic vulnerability of the ground beneath their feet. Fortunately, state Sen. Bob Hertzberg (D-Van Nuys) has a bill, S.B. 254, that would ensure the vital industry keeps those feet planted.

The risk is hiding in plain sight. Anyone even passingly familiar with the great San Francisco Earthquake of 1906, the "World Series" quake that struck in 1989 or the Northridge event of 1994 knows that the Golden State is a hotbed of seismic activity. Along the length of the state, the ground shakes with both frequency and intensity. Worse still, it tends to do so where millions of people live and many of the nation's most dynamic businesses thrive. Most Californians live within 30 miles of an active fault line. For that reason, California is home to two-thirds of the nation's earthquake exposure.

When, not if, the next "big one" hits, all California industries will be affected. But the technology sector, concentrated as it is in the infamously seismically vulnerable San Francisco Bay Area, will face a particularly profound period of recovery. That will be bad news for the state's coffers, because tech firms and their many well-compensated employees contribute a substantial amount to California's progressively financed budget.

Post-earthquake, the difference between a managed economic disruption and a more profound, perhaps economic downturn-inducing fallout will come down to how prepared the state's residents are to rebuild and the steps they've taken to forestall damage in the first place. Currently, only a fraction of Californians, including workers in the tech sector, maintain earthquake insurance or have seismically retrofitted their property. This preparedness gap creates both an enterprise risk to firms and a budget

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risk to the state. The state's tech industry is ultimately only as resilient as the employees that will be around to get it back up and running.

For its part, the state appears poised to take an important step to jump-start its focus on mitigation and resiliency. Hertzberg's S.B. 254 will empower the state's privately financed and publicly run earthquake risk management instrumentality – the California Earthquake Authority – to better meet the needs of Californians by expanding its seismic retrofitting programs to mitigate property damage before a quake and to restructure its capital in a manner that improves its long-term sustainability.

These updates are as necessary as they are overdue. While it has done remarkable work since its inception, the CEA was founded in the aftermath of the Northridge earthquake back in 1994 and has not had its statutory structure meaningfully updated since that time. Anyone still using a phone from 1994 would feel similarly in need of an update.

Notably, the majority of the participating primary insurers responsible for offering CEA coverages, and providing a huge amount of the capital that makes the CEA's structure possible, are vocally in favor of the contemplated reforms. Shoulder to shoulder with them are United Policyholders, the American Red Cross and high-risk local governments. While a diverse group, this otherwise unlikely collection of support should not come as a surprise, because the bill elegantly aligns exposure with risk in a manner that keeps most taxpayers off the hook, while also making the CEA more sustainable in the event of a second serious seismic event and better preparing one of the state's most important industries for an inevitable challenge to come. It just makes sense.

As S.B. 254 makes its way through the legislative process toward enactment, tech firms have a role to play to assist their employees in managing their seismic risk. Innovative benefit packages that have changed industry norms by contemplating flexible working arrangements and perks like catered cafeterias and educational subsidies should be updated to incentivize employees to improve their seismic resiliency. When the big earthquake hits, such a benefit would pay for itself many times over, not only for their own employees, but also as a likely halo effect that encourages other firms choose to offer seismic resiliency benefits of their own.

Supporting S.B. 254 offers an opportunity for California's policymakers to bolster not only the tech sector, but all of its seismically exposed industries. In a state that has become all too familiar with natural disasters, firms willing to grapple with the reality of seismic risk will be better prepared to thrive in the future.

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