

California Climate Insurance Report: Year 1 Implementation Update (March 2023)



SUMMARY

This document is an Implementation Report to the Climate Insurance Working Group by the Climate and Sustainability Branch of the California Department of Insurance.

Background

One year ago, the California Climate Insurance Report was released with 40 recommendations for closing protection gaps, investing in nature, and building resiliency in the state. Since the release of the report, the California Insurance Commissioner has focused on the implementation of several recommendations. This implementation update identifies the progress that California has made to respond to the report, and also prioritizes a few immediate next steps.

The recommendations in the Climate Insurance Report were developed by the Climate Insurance Working Group, required by enacted legislation (Senate Bill 30, Lara, Chapter 614, Statutes of 2018). The Climate Insurance Working Group was established in Section 12922.5 of the California Insurance Code in 2019. Pursuant to this law, California Insurance Commissioner Ricardo Lara established this working group to examine issues related to climate change, resilience, and insurance.

As a first step, the working group agreed upon the following mission for its work: The mission of this working group is to identify, assess, and recommend risk transfer approaches to reduce the risks of climate change impacts including, but not limited to, insurance incentives that promote nature-based solutions.

The working group chose to focus on climate impacts from wildfire, extreme heat, and flooding because these are three of the largest threats facing the state, and responding to these perils has great potential to build resilience in the state. Drought was discussed but was not one of the initial points of focus. The working group met publicly eight times from 2019 to 2021 to develop the recommendations contained in this report. In publishing this report, the working group acknowledges that further work needs to be completed and the group will continue to meet, both to refine ideas and learn from pilot projects, and also to address additional climate threats, such as drought.

Initial Actions and Achievements

Make Fire Hazard Severity Maps more comprehensive including by creating moderate, high, and very high hazard designations for the entire state, rather than only for the state responsibility areas (SRA). (Wildfire recommendation 1)

Implementation update:

Wildfire mapping statutes have been updated by recent legislation. These updates 1) requiring the California State Fire Marshal to map moderate, high, and very high wildfire hazard zones in the state, regardless of whether those zones are in the State Responsibility Area or Local Responsibility areas (Government Code Section 51178). Wildfire resistant building codes are now required in high and very high fire hazard severity zones (Health and Safety Code Section 13108.5(b)). For moderate fire hazard severity zones, the new statutes direct the State Fire Marshal and the Department of Housing and Community Development to make recommendations on the applicability of wildfire resistant building codes. The legislation making these revisions to California State statute was supported by Insurance Commissioner Ricardo Lara.



This recommendation had four elements, and three of those elements have been accomplished:

- All areas of the state should be assessed and mapped for fire hazard, including the areas that are omitted from the existing maps.
- All the maps should identify the level of risk as being “moderate,” “high,” Or “very high,” as is currently done for all SRAs.
- (Partially accomplished) Should direct that CAL FIRE designations trigger automatic adoption of wildfire related building codes.

Invest in risk reduction programs for homeowners and businesses (Cross-cutting recommendation 11)

Implementation update:

Insurance Commissioner Lara co-chairs the Executive Committee Climate Risk and Resiliency Task Force at the National Association of Insurance Commissioners (NAIC). The Task Force has a specific workstream focused on pre-disaster mitigation. Through presentations and panels, the NAIC is exploring the different existing state level mitigation programs and metrics of performance. This work should provide a foundation for further work at the NAIC.

More specifically, in February 2022, Commissioner Lara announced [Safer From Wildfires](#), a framework of home and community hardening measures established by a Wildfire Mitigation Partnership among California’s fire and emergency preparedness agencies. The Safer From Wildfires framework provides homeowners and stakeholders a clear priority list of home and community hardening measures.

In June 2022, the Insurance Institute for Business and Home Safety released its final version of the Wildfire Prepared Home. The IBHS Wildfire Prepared Home and Safer From Wildfires Framework are aligned in many of the home hardening measures. IBHS presented similar work to the Climate Insurance Working Group in December 2021.

Improve communication of heat threats and potential impacts; Improve warning systems by ranking heat waves (Extreme Heat recommendation 3 and 4)

Implementation update:

Insurance Commissioner Lara announced legislation to create a first-ever heat ranking system at COP 27, and sponsored legislation is that was introduced in early 2022 (Assembly Bill 2238, authored by L. Rivas, C. Garcia, and E. Garcia). The legislation was considered and advanced by multiple policy committees and passed the California State Legislature on August 31, 2022, and was then signed by the Governor in September 2022. The legislation includes directing state agencies to develop a heat ranking system and heat communication plan that includes recommendations for raising awareness and strengthening protections in vulnerable communities. A further update will be provided in the future.



Develop proof of concept for a wetlands nature-based solution and risk transfer (Flooding recommendation 8)

Implementation update:

The California Department of Insurance has been engaged with researchers from University of California, Davis to examine proof of concepts in communities with high exposure to flood risk near the Sacramento San Joaquin Delta. This has been an area of focus because the area includes vulnerable communities exposed to potentially high flood risks. The Department is also developing innovative pilot concepts for coastal flooding, working with the University of California, Santa Cruz, the Federal Emergency Management Agency (FEMA), and the Army Corps of Engineers on coastal resilience, nature-based solutions, and insurance.

Catalyze new Climate Hazard Abatement Districts (Cross-cutting recommendation 16)

Implementation update:

Insurance Commissioner Lara is sponsoring legislation that was introduced in early 2022 (Senate Bill 852, authored by Senator Dodd). The legislation was considered and advanced by multiple policy committees and passed the California State Legislature in August 2022, 2022, and was then signed by the Governor in September 2022. The legislation authorizes the creation of Climate Resilience Districts to fund and address local, cross-jurisdictional climate threats and promote community resilience.

Initiate policy development for nature-based insurance solutions (Cross-cutting recommendation 15)

Measure of Progress:

As part of this effort, the Climate Insurance Report recommends that the Insurance Commissioner should establish a working group to formalize design criteria for nature-based solutions and use these criteria to pursue a statewide strategy. Insurance Commissioner Lara is launching a task force to develop design criteria. This task force will report back to the Climate Insurance Working Group in early 2023.

Conduct Public Sector Cost Analysis (Extreme Heat recommendation 1)

Measure of Progress:

The California Department of Insurance is already working on the Public Sector Cost Analysis recommended by the Climate Insurance Report. Assembly Bill 2238 included language that directed the California Department of Insurance to study insured and uninsured costs from past heat waves, including examining protection gaps for vulnerable communities. The Department is also coordinating with the County of Los Angeles, the most populous county in the nation, as it pursues a Public Sector Cost Analysis of heat impacts across its own facilities and operations. At a future meeting the Department will provide an update on progress.

Develop pilot project concepts for extreme heat risks (Extreme Heat recommendation 6)

Measure of Progress:

In response to Extreme Heat Recommendation 6, the Department has been developing preliminary insurance concepts for an Extreme Heat Neighborhood Protection Insurance Concept and Insurance Protection for Urban Forest Canopies.