

Date of Hearing: April 23, 2025

ASSEMBLY COMMITTEE ON INSURANCE
Lisa Calderon, Chair
AB 1236 (Celeste Rodriguez) – As Amended April 10, 2025

SUBJECT: Insurance: Climate and Sustainability Insurance and Risk Reduction Grant Program

SUMMARY: Establishes the Climate and Sustainability Insurance and Risk Reduction Grant Program (Program) within the California Department of Insurance (CDI). Specifically, **this bill:**

- 1) Requires CDI to administer the Program, upon appropriation by the Legislature.
- 2) Provides that the purpose of the Program is to:
 - a) Develop concepts that expand insurance options through the use of insurance mechanisms, including community-based insurance and parametric insurance, with the intent to shrink the protection gap in vulnerable and disadvantaged communities.
 - b) Explore innovative approaches to insurance that build economic resilience, with a focus on geographic locations subject to extreme heat, wildfire risk, flooding, or biodiversity loss, and communities that are uninsured or underinsured where insurance uptake is low.
 - c) Test community-purchased insurance to reduce overall insurance costs, paired with risk reduction activities that may be funded by other agencies.
 - d) Support projects that incorporate nature-based solutions.
 - e) Support projects that emphasize regional-scale and community-scale approaches to reducing risk.
 - f) Create climate resilience districts.
 - g) Educate communities on the role insurance can play in preparing for catastrophic events, as well as building resilience in the aftermath of those events.
- 3) Requires CDI, on or before January 1, 2029, and on or before January 1 every three years thereafter, to issue a report to the Senate Committee on Insurance and the Assembly Committee on Insurance on the results of the grant program.
- 4) Sunsets on January 1, 2035.
- 5) Makes findings and declarations.

EXISTING LAW:

- 1) Establishes the Insurance Commissioner (Commissioner) as a statewide elected official responsible for administering and overseeing CDI.

- 2) Requires the Commissioner to convene a working group on catastrophic risks associated with climate change and to recommend market mechanisms to invest in natural infrastructure that can reduce the risk of climate change related to catastrophes. (Insurance Code, Section 12922.5)

FISCAL EFFECT: Unknown

COMMENTS:

- 1) *Purpose of the bill.* According to the author, “Two days after meeting my capitol team in person, I returned to my district for an emergency. A wildfire had erupted in my district and the districts of some of my colleagues. Multiple fires threatened the livelihood of LA. Amidst all the chaos and heartbreak over lost homes, businesses, and entire communities being wiped out throughout the LA Region, we also saw the power of local and national organizations mobilize to provide resources to those affected. Recovery will take years, if not decades. Wildfires have devastated many regions, and we are facing an insurance crisis. We must do what we can to bolster community resilience.

AB 1236 will establish the Climate and Sustainability Insurance and Risk Reduction Grant Program to explore and diversify our tool-box of approaches to reduce overall insurance costs. The program will emphasize regional and community-scale approaches to reducing risk in vulnerable communities and educating communities on the value of insurance. For example, this grant program could address uptake of insurance and the concerns of renters and low-income residents in areas that face significant risks. AB 1236 complements the efforts of the California Department of Insurance.”

- 2) *Background:* Senate Bill 30 (Chapter 614, Statutes of 2018) directed the Insurance Commissioner to convene the Climate Insurance Working Group to identify, assess, and recommend risk transfer market mechanisms that promote and create incentives to reduce risks of climate change, particularly for vulnerable communities. The Working Group published the Climate Insurance Report in 2021, providing recommendations to protect California’s communities, preserve nature, and build resilience. An overarching recommendation in the report is to prioritize closing protection gaps by focusing on the protection of areas with low insurance uptake and high risk, thereby increasing both local community and statewide resilience.

Insurance plays a critical role in recovery from climate disasters, but many households and small businesses do not have sufficient coverage to fund repairs and rebuilding efforts. As climate impacts accelerate, vulnerable communities which have been historically underinsured will face larger/disproportionate challenges.

AB 1236 directs CDI to establish and administer the Climate and Sustainability Insurance and Risk Reduction Grant Program to explore approaches to reduce overall insurance costs, such as community purchased insurance and projects that incorporate nature-based solutions. The grant program aims to emphasize regional and community-scale approaches to reducing risk in vulnerable communities, create climate resilience districts, and educate communities on the value of having insurance.

- 3) *CDI Climate Insurance Working Group Report*. CDI worked with its Climate Insurance Working Group to develop a set of recommendations presented in the Working Group’s Climate Insurance Report that was published in July 2021. The report identifies four key elements of resilience – risk assessment, risk communication, risk reduction, and risk transfer. The report applies these elements of risk to three impacts of climate change: wildfire, flood, and extreme heat. The report provides specific recommendations for preventing and managing the risks associated with these impacts to reduce climate risks to communities.

According to the report, these types of programs and expanded insurance options are important because, “Closing the insurance protection gap will be essential to supporting more equitable recoveries when future disasters strike. Climate-intensified disasters will repeatedly stress the state, and have the potential to exacerbate existing inequity.”

- 4) *Parametric Insurance*: The Assembly Insurance Committee held an informational hearing in October, 2024 on Parametric Insurance. Parametric insurance is a type of insurance that insures a policyholder against the occurrence of a specific event and pays a set amount based on the magnitude of the event as opposed to the magnitude of the loss. Committee staff is highlighting this hearing because, as California is facing a unprecedented insurance crisis, seeking innovative insurance alternatives that this bill attempts to highlight may be a necessary path forward based on the unpredictability of climate change. More information can be found here: [Microsoft Word - 10.9.24 - Parametrics Hearing Background - FINAL on letterhead](#)
- 5) *AB 970 from 2024*: AB 1236 takes a more narrow approach than a substantially similar bill this committee supported with a vote of 12-0 last year. AB 970 was vetoed by the Governor predominantly due to fiscal concerns. The approach taken this year is likely intended to reduce the fiscal impact by essentially only requiring 2 reports between 2029 and 2035.
- 6) *Previous Legislation*: AB 970 (L.Rivas) of 2024 would have required CDI, upon appropriation, to establish and administer the Climate and Sustainability Insurance and Risk Reduction Program.

AB 2238 (L. Rivas), Chapter 264, Statutes of 2022, requires the California Environmental Protection Agency in coordination with the Integrated Climate Adaptation and Resiliency Program (ICARP), the California Department of Public Health, and CDI to develop a statewide extreme heat ranking system.

AB 2076 (L. Rivas) of 2022 would have established the Extreme Heat and Community Resilience Program to coordinate state efforts and support local and regional efforts to prevent or mitigate the impact of and public health risks of heat. Held in the Senate Appropriations Committee.

AB 585 (L. Rivas) of 2021 would have established the Extreme Heat and Community Resilience Program through the ICARP to coordinate the state’s efforts to address extreme heat and the urban heat island effect and to provide financial and technical assistance to local or regional entities for improving resilience to extreme heat and urban heat island effects. Held in the Senate Appropriations Committee.

SB 30 (Lara), Chapter 614, Statutes of 2018, required the Commissioner to establish a working group to examine issues related to climate change, resilience, and insurance. Pursuant to this bill, the Climate Insurance Working Group was formed.

REGISTERED SUPPORT / OPPOSITION:

Support

Alliance of Regional Collaboratives for Climate Adaptation
American Property Casualty Insurance Association
California Forward
Climate Resolve
Department of Insurance
Inclusive Action for the City
Independent Insurance Agents & Brokers of California, INC.
Mid & Upper Sacramento River Region
National Association of Mutual Insurance Companies
Neptune Flood INC.
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California
Port of San Diego
Rise Resilience
San Mateo County Flood and Sea Level Rise Resiliency District
The Nature Conservancy
Treepeople
University of California Santa Cruz

Opposition

None on file.

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