

Date of Hearing: March 22, 2023

ASSEMBLY COMMITTEE ON INSURANCE  
Lisa Calderon, Chair  
AB 970 (Luz Rivas) – As Introduced February 14, 2023

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

**SUMMARY:** Requires the California Department of Insurance (CDI) to establish and administer the Climate and Sustainability Insurance and Risk Reduction Program. Specifically, **this bill:**

- 1) Establishes, upon appropriation, climate insurance pilot projects in the following six jurisdictions: the City of San Fernando, the City of Imperial Beach, the City of Coachella, the San Mateo County Flood and Sea Level Rise Resiliency District, the County of Sacramento, and the Reservation of the Pala Band of Mission Indians.
- 2) Requires CDI to provide technical support for the pilot projects, as specified.
- 3) Requires the pilot project jurisdictions to develop and establish a specific pilot project, in conjunction with CDI, and to monitor and submit to CDI information related to the pilot projects, as specified, over a period of five years.
- 4) Requires CDI, on or before January 1, 2035, to issue a report, as specified, to the appropriate Legislative committees on the results of the pilot projects.
- 5) Requires CDI, until January 1, 2035, to also establish a competitive grant solicitation program to support the design and funding of readily implementable and scalable projects that address climate risks and expand insurance options.

**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 (Ins.) Code § 12922.5)

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

- 1) **Purpose.** According to the author:

Extreme weather events, such as atmospheric rivers, disproportionately affect California's most vulnerable communities. To better prepare these communities for future weather events, insurance will play a critical role to build resilience. These

communities are often insufficiently insured to weather the impacts of an ever-changing climate.

- 2) **CDI Climate Insurance Working Group Report.** CDI has 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.

Among the report’s recommendations was to establish community pilot projects in the most vulnerable communities and particularly high risk locations that are currently uninsured or underinsured to show the value of community approaches to risk communication, risk reduction, and insurance. According to CDI, the sponsor of this bill, the proposed projects and grant program in this bill would aim to demonstrate proof of concept that would lead to expanded insurance options. According to CDI, the hope is that in the future local governments will undertake similar projects integrating nature-based solutions on their own, because the pilot project has shown the success and impact of such programs.

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.”

- 3) **Pilot Project Jurisdictions.** The six pilot project jurisdictions included in this bill were chosen because they are exceptionally high risk locations where people are currently uninsured or underinsured against climate risks. Although the local jurisdictions have some responsibility under this bill, they are primarily geographical locations where the CDI supported pilot projects will take place. The criteria for the pilot projects, that are included in this bill, are consistent with the recommendations in the Climate Insurance Working Group Report, including but not limited to identifying and employing nature-based solutions, investing in local risk reduction and risk communications, and prioritizing predisaster mitigation activities.
- 4) **CDI Grant Program.** In addition to the pilot projects, this bill requires CDI to create a competitive grant solicitation process to support similar projects in additional jurisdictions that were not included in the pilot projects.
- 5) **Prior Legislation.**

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**

California Department of Insurance  
Climate Resolve  
Environmental Defense Fund  
Personal Insurance Federation of California  
The Nature Conservancy

**Opposition**

None on file.

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