July 28, 2026

Commissioner Ricardo Lara
California Department of Insurance
300 Capitol Mall, 17th Floor
Sacramento, CA 98514

Re: Response to REG-2025-00025 Documenting Long-term Solvency Planning and Capital Needs Analyses.

Dear Commissioner Lara,

The undersigned organizations support the California Department of Insurance (CDI) requiring insurers to engage in long-term solvency planning in response to emerging risks, in particular the growing physical and transition risks related to climate change. However, the current proposal will not require insurers to meaningfully address climate-related risks and requires significant improvements prior to finalization. In particular, CDI should limit insurer discretion in assessing risk materiality; mandate insurers set long-term strategy targets across their underwriting, investments, and operations; establish long-term target setting metrics; and require insurers to consider alternatives to withdrawing from communities in physical risk mitigation.

Insurance companies are both exposed to and contribute to significant climate-related financial risks. The physical impacts of climate change, including severe floods, wildfires, hurricanes, and other disasters, are driving up insured losses and costs for policyholders. For the sixth consecutive year, global insured losses topped $100 billion in 2025, with 80 percent of those losses originating in the United States.[1] Transition risks from insurers underwriting and investing in fossil fuel companies and projects threaten to leave insurers with stranded assets and financial exposure to declining industries. Insurance companies continue to underwrite and invest in projects and companies that make climate change worse, even as these activities destabilize insurers' other business lines.

Partially in response to increasingly frequent, severe, and costly climate disasters, property insurers are raising rates at a rapid pace. Property insurance prices increased by an estimated 12 percent nationally in 2025 following an estimated 24 percent increase between 2021 and 2024.[2] Rising insurance prices are creating financial strain for many homeowners, increasing household

[1] Mohsen Rahnama & Sarah Hartley, 2025 Catastrophe Review: Executive Summary, Moody's (Feb. 18, 2026).
[2] Matt Brannon, Insurify Projects Home Insurance Rates Will Rise for the 5th Consecutive Year, After a 12% Increase in 2025, Insurify (2026); Sharon Cornelissen et al., Overburdened: The Dramatic Increase in Homeowners Insurance Premiums and its Impacts on American Homeowners, The Consumer Federation of America (April 2025).

debt and mortgage and credit card delinquencies[3] and causing some homeowners to cut back on insurance coverage.[4] In other cases, insurers are departing from communities entirely, leaving homeowners to seek out coverage from the FAIR plan, non-admitted carriers, or to forgo insurance altogether. Uninsured and underinsured homeowners can face financial devastation in the event of a climate disaster, taking on repair and rebuilding costs left by gaps in their coverage.

To encourage meaningful climate-related risk assessment and risk mitigation, we recommend the following changes to the proposal.

Limit insurer discretion in assessing risk materiality

The Department should establish specific, mandatory requirements for how all covered insurers should report their climate-related physical and transition risks. This will generate standardized and comparable reporting which is critical for effective analysis and management of firm-level and system-level risk by CDI. At the very least, covered insurers should be required to report on all risk categories identified by CDI in section (c)(1)(A) of the proposed rule, and if they opt out of a category, should explain why they believe they face no material risks under that category. Insurers should report on risks using a standard of materiality set by global climate financial risk standard setters, such as the International Sustainability Standards Board.[5]

Overreliance on item-by-item materiality assessments can result in incomparable and incomplete reporting, and it creates an incentive for firms to underreport their risks, as has occurred with voluntary adherence to the recommendations of the Taskforce on Climate-Related Financial Disclosures[6] and the 2010 climate financial risk guidance from the Securities and Exchange Commission.[7] Given that the risk analysis insurers perform under this rule may impact the capital insurers are required to hold, firms are further incentivized to underreport risks. As written, without clear parameters, the rule could create a competitive disadvantage for firms that do accurately report their long-term risks.

There is no doubt that financial risk from climate-exacerbated wildfires, for example, is a material risk for every property and casualty insurer in California covered by this regulation, so establishing mandatory requirements is justified and will yield more comparable reporting and

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[3] Shan Ge, Stephanie Johnson & Nitzan Tzur-Ilan, Climate Risk, Insurance Premiums, and the Effects on Mortgage and Credit Outcomes, Federal Reserve Bank of Dallas (Jan. 2025).
[4] Parinitha Sastry et al., The Limits of Insurance Demand and the Growing Protection Gap, Harvard Business School (May 31, 2024).
[5] The International Sustainability Standards Board, Sustainability-related risks and opportunities and the disclosure of material information (2025).
[6] Task Force on Climate-related Financial Disclosures, Task Force on Climate-Related Financial Disclosures: 2020 Status Report (2020).
[7] Securities and Exchange Commission (SEC), Commission Guidance Regarding Disclosure Related to Climate Change (2010).

practices. Similarly, all insurers have exposure to transition risks due to new low-carbon technologies, changes in population behaviors, and government actions. According to CDI's own analysis, insurance companies could face up to $40 billion in investment portfolio losses from their exposure to the climate-sensitive power, oil, gas, coal, and automotive sectors.[8]

Mandate insurers set long-term strategy targets across their underwriting portfolios, investments, and operations

Long-term strategy targets should extend to all insurer activities: underwriting, investing, and operations. The proposal currently limits the scope of this requirement solely to investment activities, which leaves significant climate risks unaccounted for. Physical risk is most visible in insurers' underwriting portfolios, where chronic climate change impacts are steadily driving up claims and climate disasters are becoming more severe and costly. Climate change is now to blame for an estimated $30 billion a year in insured losses globally.[9] Limiting long-term target setting only to investment portfolios also limits consideration of the transition risk insurers face in their underwriting portfolios. Despite the risks climate change poses to the business model of insurance companies, they continue to underwrite projects and activities that worsen the climate crisis. Insure Our Future estimates that some of the largest U.S. insurers, including Chubb and AIG, collect upward of $500 million in annual premiums from fossil fuel companies.[10]

Establish long-term target setting metrics

In addition to the long-term strategy targets set at the insurers' discretion, CDI should mandate that insurers establish science-based emissions reduction targets, inclusive of firm underwriting, investing, and operations. While some long-term strategy targets will differ across insurers, emissions reduction targets must be aligned to the scientific reality of climate change, not dictated solely by individual insurers' assessment of risk. The Intergovernmental Panel on Climate Change (IPCC) warns that maintaining a 1.5°C warming pathway requires not only achieving net zero by 2050, but also a rapid and significant phase down of fossil fuels this decade.[11] Target setting must include short- and medium-term emissions reduction milestones aligned to a warming pathway well below 2°C. Insurer emissions reduction targets must also address emissions throughout the value chain. Scope 3 emissions, including those from underwriting and investing in climate intensive industries, comprise approximately 95 percent of

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[8] Kara Voss et al., The hidden cost of delaying climate action for West Coast insurance markets, California Department of Insurance (Feb. 2024).
[9] Insure Our Future, Within Our Power: Cut Emissions Today To Insure Tomorrow (Dec. 2024).
[10] Insure our Future, Insurers withdraw cover for climate risks while backing increased fossil fuel production, industry must act to support 1.5°C climate target after 50 years of failure, (Nov. 9, 2023).
[11] Hoesung Lee et al., Climate Change 2023 Synthesis Report: Summary for Policymakers, Intergovernmental Panel on Climate Change (Mar. 2023).

insurer emissions.[12] Targets inclusive of only scope 1 and 2 emissions are not suitable for insurers.

We support the proposal's requirement that insurers disclose their plan for achieving the targets they set and their progress towards these targets over time. However, without standardized requirements for this disclosure and validation of insurer claims by the Department, the disclosure of transition plans can become a tool for greenwashing rather than accountability. To facilitate comprehensive and comparable target setting and transition planning, CDI should rely on existing frameworks, such as the Science Based Targets initiative's Financial Institutions Net-Zero Standard and the frameworks published by the United Nations Forum for Insurance Transition to Net Zero.[13] CDI should also mandate that transition plans reflect insurers moving their businesses away from emissions intensive industries and investments, rather than pursuing strategies to offset emissions contributions by purchasing carbon credits or investing in unproven carbon capture technology.

Require insurers to plan alternatives to withdrawal for physical risk mitigation

Physical climate risk mitigation targets should be grounded in promoting climate resilience for insurers and their customers, leveraging underwriting and investment strategies to build property-, community-, and landscape-scale adaptation, and avoiding community-wide withdrawals. To manage physical risk in an equitable and just manner, insurers should be required to set targets and develop strategies to build climate resilience both for themselves and the customers and communities they serve, which can lower disaster losses and help mitigate the ongoing insurance crisis. In the absence of these efforts, rising insurance costs and insurer withdrawal from communities will compound housing unaffordability and make it harder for families to make ends meet amidst the steadily rising cost of living. California and its insurers should continue to develop and expand programs[14] to provide mandatory, standardized insurance premium discounts for property-, community-, and landscape-scale adaptation, ensure underwriting and pricing models account for mitigation, and provide grants and invest capital[15] to pay for climate resilience enhancements for low- and moderate-income households.

Given the insurance industry's contributions to climate change, and its unique role protecting the public financially from climate disasters, insurance commissioners must not allow insurers to manage their physical risk simply by exiting communities, thereby privatizing decades of profits

[12] Jacques Cornic & Roger Jackson, ESG in insurance: Insured emissions, KPMG (2023).
[13] Science Based Targets initiative, Financial Institutions Net-Zero Standard (July 2025); United Nations Environment Programme's Forum for Insurance Transition to Net Zero, Underwriting the Transition (July 2025).
[14] See e.g., California's Safer From Wildfire program and the required discounts for property-level wildfire risk mitigation under 10 CA ADC § 2644.9.
[15] See e.g., Covered insurers should be required to contribute to the California Organized Investment Network (COIN) and CID should identify funding vehicles that promote climate resilience and affordable housing that can be aligned with home insurance discount criteria.

from fossil fuel underwriting and investment and now socializing the rising climate costs onto their customers and the public. In this proposal, CDI should require insurers to develop and disclose five, 10, and 20 year plans to continue offering coverage and paying claims in the geographies and for the customers they currently serve. Additionally, CDI should adopt a comprehensive approach to limiting insurer withdrawal beyond this rule, including by requiring insurers to report on how they will continue to serve existing policyholders as a part of their Business Continuity Plans[16] and by issuing guidance detailing the Department's expectations of insurer practices to limit withdrawal.

We encourage the Department to strengthen this rule to promote meaningful climate-related risk assessment and risk mitigation for California insurers. Thank you for your attention to this important issue.

Sincerely,

Public Citizen
Americans for Financial Reform Education Fund
Affordable Homeownership Foundation Inc
Climate Cabinet Action
Freeport Haven
Green America
Rainforest Action Network (RAN)
The Academy of Financial Education
The Greenlining Institute
The Phoenix Group
United Policyholders

Individual Signatories
Dave Jones, Former California Insurance Commissioner

[16] National Association of Insurance Commissioners, Financial Condition Examiners Handbook at 80 (2026).