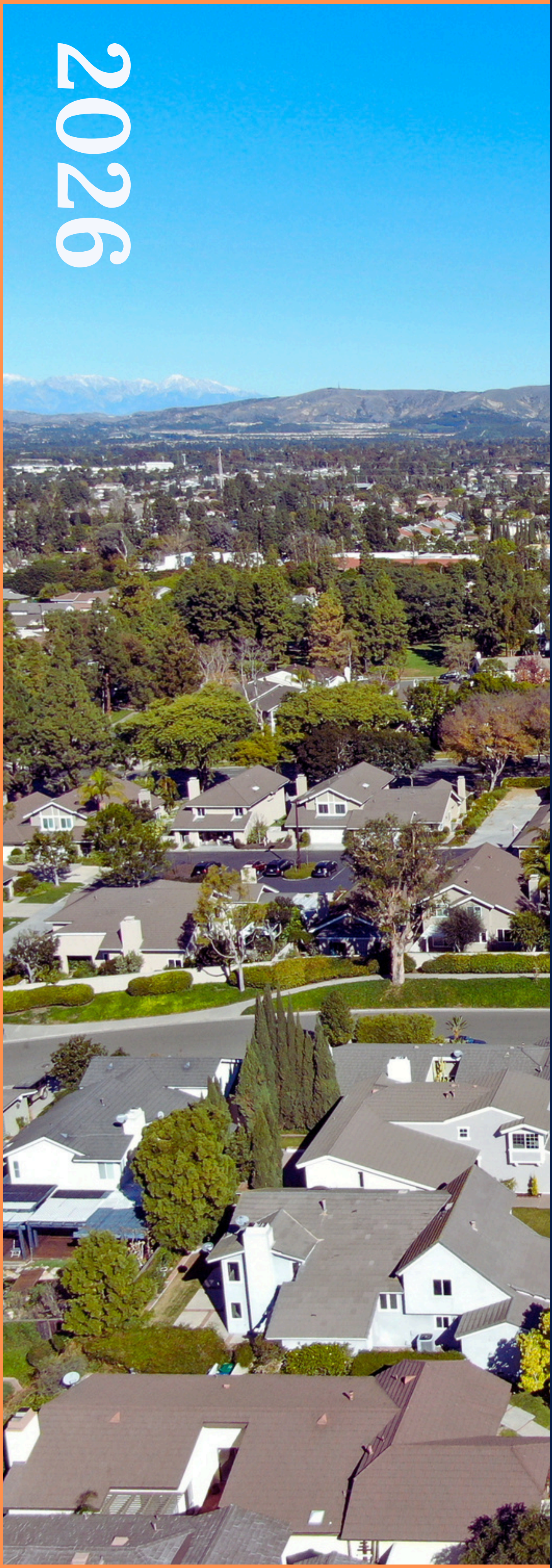

A Blueprint to A.C.T.

A*ffordability,*
C*limate Risk Reduction &*
T*ransparency*

for California's Next Insurance Commissioner

Executive Summary

What is the price Americans are paying for climate change?

Look no further than the insurability crisis Californians are facing. While the state is certainly not alone in experiencing first-hand the financial fallout of climate disaster, its case has come into the national spotlight during the 2025 LA fires. The full economic impacts[1] are still being calculated, but estimates put the Palisades and Eaton fires' cost at over $130 billion.[2] One year after the disaster struck, the majority of survivors are still not home. UCLA reports 1 in 5 homeowners are forgoing insurance all together,[3] while thousands more are forced to rely on the FAIR plan, the state-enabled but industry-run insurer of last resort.[4]

The crisis at hand is a systemic one, the scale of which is hard to grasp — both for those still trying to recover from the last disaster as well as for those concerned about the next. It is no wonder that the role of Insurance Commissioner is often heralded as "the hardest job in California." However, this office also holds immense potential to lead in tackling a crisis deeply felt across the nation.

Whoever takes on this responsibility has the opportunity to put people first and truly prepare the Golden State to face the future. Californians should expect no less from their next Insurance Commissioner: lean into this potential and use this office to its fullest extent.

As one of the strongest state regulators in the country, there are three main pathways for the California Insurance Commissioner to utilize their authority:

1. More robustly and effectively enforce existing regulations.
2. Exercise their existing authority to establish new rules to meet the moment.
3. Use their position to partner with the legislature and sponsor new laws to create new solutions and expand the authority of the Department of Insurance to support them where necessary.

For the first time, a collection of experts in insurance, consumer advocacy, climate, systemic financial risk, and community investment has come together to craft a vision for how to solve California's insurance crisis. The resulting Blueprint is a set of clear priorities and actions for the state's next Insurance Commissioner to protect affordability and access, strengthen oversight and accountability, and address growing climate-related financial risks across the system.

1. Li, Zhiyun and Yu, William, "Economic Impact of the Los Angeles Wildfires," UCLA Anderson School of Management, March 3, 2025, https://www.anderson.ucla.edu/about/centers/ucla-anderson-forecast/economic-impact-los-angeles-wildfires
2. Embold Research for Department of Angels, "Community Voices: LA Fire Recovery Report," January 2026, https://static1.squarespace.com/static/6792c245599ed84703227b1e/t/6959797a4c0de667333503fc/1767471494384/Department+of+Angels+LA+Fire+Recovery+Report_January+2026.pdf
3. Koslov, Liz and McConnell, Kathryn, "The Rising Home Insurance Burden in California," October 2025, https://ucla.app.box.com/s/2gu385cyea7ri17rm6vqhwuswyo8wyh7
4. California FAIR Plan Property Insurance, "Key Statistics & Data," https://www.cfpnet.com/key-statistics-data/

The Blueprint focuses on the following key themes:

Protect Affordability and Access for Households

Ensure insurance remains available and affordable by upholding Proposition 103, strengthening oversight of rate increases, limiting destabilizing non-renewals and market withdrawals, and ensuring that risk reduction efforts — like home and community hardening — result in real improvements in both price and access to coverage.

Strengthen Accountability, Fair Treatment and Transparency

Ensure insurance companies operate transparently and are held accountable for their practices — including fair pricing, clear decision-making, and timely, equitable claims handling. Enforce clear standards for catastrophe models and prevent unjustified costs from being passed on to households while strengthening public oversight, especially in the aftermath of disasters. Do all this while upholding robust conflict-of-interest safeguards at the individual and departmental level.

Manage System-Wide Financial Risk and Climate Impacts

Take a forward-looking approach to insurance regulation that recognizes its impact on the broader economy — including housing, lending, and local governments. Prevent system-wide, cascading harm with guardrails in place to stop disproportionate burden being shifted onto climate-vulnerable communities. Ensure the insurance market supports real risk reduction — not just shifting or pricing risk — aligning practices with long-term resilience and reduction of climate risk at its source.

As climate risks increase, protecting households from unaffordable coverage and preserving long-term financial stability are not competing goals — they are inseparable responsibilities of the office. The next Insurance Commissioner must lead by making bold use of their authority or risk presiding over a system that fails the very people it is meant to protect.

Lead Contributors:

Americans for Financial Reform Education Fund | Climate Cabinet Education | Consumer Watchdog | Dave Jones, California Insurance Commissioner Emeritus | Extreme Weather Survivors | The Greenlining Institute | Public Citizen | Rise Economy

Introduction

California's Insurance Commissioner holds some of the strongest regulatory authorities in the country. At a time of escalating climate risk, market disruption, and rising costs for consumers, the next Commissioner must be a vigilant regulator and prioritize:

- **Being forward-looking, accountable, and transparent.**
- **Protecting consumers from unaffordable premiums and loss of access to coverage.**
- **Employing all available tools to support meaningful risk reduction across the state.**
- **Safeguarding the stability of the insurance system and the broader financial system.**

Climate risk is financial risk. The insurability crisis now unfolding in California and throughout the United States is the clearest signal that climate change is destabilizing consumers' finances and local economies. When coverage becomes unaffordable or unavailable, the consequences ripple through households, mortgages, small businesses, and public budgets.

A macroprudential approach is therefore essential — one that anticipates how climate-related losses can accumulate and cascade across insurers, housing markets, and local economies, and incorporates these system-wide risks into regulatory oversight and prioritizes keeping Californians protected.

Oversight must protect consumers from unfair cost shifting while strengthening the system's ability to withstand climate-driven shocks — ensuring that efforts to manage risk do not deepen coverage gaps or destabilize vulnerable communities, and that insurance regulation supports the reduction of long-term climate risk. *This piece is critical because without centering risk reduction, improvements in affordability, availability, and market stability will be temporary as climate impacts continue to intensify.*

This Blueprint defines the actions necessary for the next Insurance Commissioner to strengthen consumer protection, increase transparency and accountability, and institutionalize forward-looking financial supervision. Strong oversight of insurers, proactive rulemaking, and legislative leadership must work together to secure a resilient and equitable insurance market for Californians.

Part A.

Affordability and Consumer Protection

The next Insurance Commissioner must ensure that California's insurance market works for people. They must protect affordability, preserve access to coverage, and guarantee fair and equitable treatment — especially when disaster strikes. These commitments should be pursued through rigorous use of existing authority and, where necessary, by championing legislation that strengthens or clarifies the Commissioner's tools and authority to act.

1. Safeguard affordability through strong, independent rate regulation

The Commissioner must uphold and strengthen the full protections afforded by Proposition 103, including enforcing the insurer's burden of proof and using the Commissioner's authority to disallow excessive, inadequate, and unfairly discriminatory rates. To do this, they must:

- Rigorously review insurers' inputs, estimates and assumptions — including catastrophe models, reinsurance costs, and administrative costs — in rate approval requests to properly ensure that rates will not be excessive, inadequate, or discriminatory.
- Fully enforce existing limits on administrative costs, executive compensation, institutional advertising, affiliated transactions, and management fees, and strengthen oversight where gaps in review allow unjustified costs to be passed on to policyholders.
- Ensure that expense categories, including litigation and claims-related legal costs, are subject to meaningful scrutiny so consumers are not asked to absorb financial costs unrelated to their coverage.

2. Protect the public intervenor process

The Commissioner must maintain and protect meaningful public participation in rate proceedings, including safeguarding fair recovery of public intervenor costs so independent consumer oversight remains strong.

3. Protect communities from destabilizing non-renewals and market withdrawals

The Commissioner should sponsor legislative reforms to strengthen California's laws governing non-renewals, cancellations, and large-scale market withdrawals.

- These reforms must establish enforceable guardrails around geographic pullbacks, stronger advance-notice requirements, and clear standards for orderly market exits — including withdrawal planning and transition pathways to help secure replacement coverage for affected policyholders.

4. Ensure that risk mitigation translates into meaningful access to coverage

The Commissioner's rate approval and rate regulatory authority empowers them to ensure that property, community, and landscape-scale mitigation is fully reflected in catastrophe models and other models used in pricing insurance. Using that authority in this way is crucial, because more accurately tying risk mitigation to availability and pricing leads to a virtuous circle through which all parties are incentivized to invest in mitigation, and this benefits homeowners and consumers, insurers, communities, and the economy at large. To do this, the Commissioner should:

- Adopt and enforce regulations requiring that models, rates, rate relativities, and premium prices fully account for property-, community-, and landscape-scale mitigation.
- Sponsor legislation requiring insurers to provide coverage for homeowners, multifamily housing, affordable housing providers, and businesses that meet mitigation standards.
- Sponsor legislation requiring that the models insurers use for rates and underwriting, and insurers' underwriting practices and rates, fully account for property-level, community-level, and landscape-scale mitigation, ensuring that investments in risk reduction are reflected in pricing and coverage determinations.

5. Increase access to and efficacy of mitigation and adaptation investments

Meaningful mitigation and adaptation efforts are investments that yield benefits far in excess of their costs. To encourage them, the Commissioner should:

- Support legislation and encourage coordinated public and private investment that will expand access to home hardening and community- and landscape-scale risk reduction, including targeted assistance to ensure that low- and moderate-income (LMI) households can access and reap the benefits of mitigation.
- Establish clear expectations that insurers and other relevant stakeholders contribute their fair share to funding risk reduction, and use the full authority of the office to drive, align, and scale these investments across the system.
- Establish clear standards so that mitigation provides a reliable pathway to maintaining or obtaining coverage, not merely symbolic discounts.

6. Reform and strengthen the FAIR Plan

Homeowners who depend on the FAIR Plan usually have no alternatives. While working to address larger access and affordability issues that create these conditions, the Commissioner must also ensure existing FAIR Plan households can depend on this insurance product in times of need. To ensure that the FAIR Plan can continue to fulfill its mission and meet its obligations to homeowners, insurers, and taxpayers, the Commissioner should:

- Support legislative and regulatory reforms to strengthen the solvency, transparency, and oversight of the FAIR Plan, ensuring it provides adequate protection to the consumers and communities that rely on it while maintaining financial soundness.
- Improve governance structures, including through reforms that strengthen independent consumer representation and clarify fiduciary responsibilities, and that require comprehensive, publicly accessible reporting on financial condition, claims performance, reinsurance arrangements, and geographic exposure.
- Ensure that risk-sharing mechanisms appropriately allocate financial responsibility across the insurance system and do not shift disproportionate risk onto policyholders or the public.

7. Enforce and strengthen fair claims handling protections

The Commissioner should use all the powers of the office to make sure that insurers behave equitably toward all customers. To do this, it is important to:

- Rigorously enforce California's Unfair Claims Settlement Practices Act and related regulations by opening investigations into individual and systemic claims-handling failures, issuing penalties and enforcement orders where violations occur, and publicly reporting on insurer claims-handling performance — including in disaster-affected regions.
- Robustly enforce requirements to process claims promptly, transparently, and consistently, with heightened oversight following catastrophic events.
- Enforce laws prohibiting claims practices that place undue administrative burden on consumers or, through other mechanisms, pressure policyholders into accepting less than the full payouts to which they are entitled.
- Sponsor legislation where necessary to strengthen claims-handling standards and enforcement authority to improve the swiftness of damage assessments and claims payout processes, and to set clearer safeguards preventing unjustified non-renewals or risk reclassification practices that are not supported by credible actuarial justification.

8. Require insurers to provide accurate replacement cost estimates

Claims payouts should align with the actual costs homeowners incur after disasters. To ensure that they do, the Commissioner should:

- Require insurers to provide annually to policyholders and to applicants an accurate and comprehensive replacement cost estimate which takes into account labor and material costs in the home's local market.
- Require insurers to be transparent about how replacement cost estimates are calculated, including by filing models, tools, and data sets with the Department for approval.
- Prohibit insurers from limiting coverage to the replacement cost estimate amount.
- To the extent that the law does not currently afford the Commissioner the authority to make these demands, sponsor legislation to change the law.

9. Enforce protections against unfair and discriminatory practices

Laws and regulations guaranteeing equitable treatment mean nothing without enforcement, and in many situations the enforcement obligation falls to the Insurance Commissioner's office. The Commissioner should:

- Enforce equitable treatment in underwriting, pricing, and claims handling across communities, including full use of existing anti-discrimination authority under Proposition 103 and related law.
- Require that underwriting and rate classifications be supported by credible actuarial justification and not rely on proxy variables or practices that result in unfair discrimination.
- Initiate investigations in markets experiencing significant destabilization — including affordable housing and low- and moderate Income (LMI) communities — to determine whether any identified differential treatment is actuarially justified or unlawful.

10. Protect households from coverage loss due to financial hardship

The Commissioner should support legislative reforms to strengthen safeguards against nonpayment-related cancellations, particularly in the aftermath of disasters, including reasonable grace periods and consumer protections for households facing acute economic strain.

11. Protect the stability of affordable and supportive housing

The Commissioner should sponsor legislative reforms to ensure that affordable and permanent supportive housing providers have access to stable and affordable insurance coverage, including measures that address pricing volatility, reduce barriers to coverage, and ensure continued availability in high-risk areas.

Part B.

Transparency & Accountability

> *A stable and fair insurance market depends on transparency backed by meaningful oversight. The next Insurance Commissioner must ensure that market conditions, pricing practices, and emerging risks are clear, publicly accessible, and that insurers are held accountable when standards are not met.*

1. Strengthen standards and transparency for catastrophe and other insurance modeling and underwriting practices

To ensure that risk calculation is based on accurate and precise models and reasonable assumptions, the Commissioner should:

- Adopt and enforce regulations requiring the filing, review and approval of catastrophe models, risk score models, and other scoring methods used by insurers to set rates and premiums.
- Provide for public access to the models filed with the Department, formal public intervention in the model approval process, consideration of public comments during model review, and independent validation of model assumptions and outputs.

2. Strengthen California's public catastrophe modeling capacity

Publicly created and available catastrophe modeling is an essential piece for all stakeholders to understand and plan for what's ahead. To facilitate this key tool in addressing the insurability crisis, the Commissioner should:

- Secure funding for and oversee the development of a transparent, publicly accessible state catastrophe model whose data and outputs are available to policymakers, local governments, and the public.
- Invest in data infrastructure and user-facing tools that enable individuals, communities, state and local government, and industry to interpret and act on risk information — including hazard exposure, expected losses, and the impact of mitigation measures — for planning, mitigation, and resilience decision-making.
- Ensure that the development of the state catastrophe model is conducted through a transparent and participatory process, including regular public reporting, stakeholder engagement, and meaningful opportunities for public input.
- Ensure that the state catastrophe model accounts fully for property-, community-, and landscape-scale mitigation.
- Use the state catastrophe model to evaluate the content and outputs of models used by insurers and as an alternative basis for evaluating and approving rates.

3. Require comprehensive public reporting on coverage and market activity

To ensure that insurers operate in the light of day, and to allow all stakeholders — from individuals, to businesses and investors, to local governments — to act upon critical, up-to-date data, the Commissioner should:

- Mandate annual granular, geographically disaggregated public reporting by insurers on policy coverage trends, pricing, non-renewals, claims outcomes, complaints, reinsurance costs, and market shifts across all segments, including surplus lines.
- Require enhanced public disclosure of insurer financial condition and expense data — including claims payments, reserves, reinsurance premiums, administrative and marketing costs, executive compensation, commissions, and investment income.
- Make all of these reports and disclosures available to the public in a regularly updated and accessible reporting system maintained by the Department of Insurance.

4. Hold insurers accountable for market conduct and risk claims

To ensure that unfair market conduct is halted swiftly and receives the investigation it deserves, the Commissioner should:

- Establish clear enforcement triggers so that patterns of unjustified pricing, elevated complaint rates, suspicious claims denial trends, discriminatory impacts, or destabilizing market withdrawals automatically prompt formal regulatory review, including Market Conduct Examinations where appropriate.
- Publish the results of such examinations and enforce corrective action where violations are found.
- Integrate market conduct findings into broader regulatory oversight — including rate review, underwriting scrutiny, and market conduct and financial examinations — to ensure that insurers with repeated violations are subject to heightened supervision and accountability.

5. Publish regular statewide market assessments and enforcement outcomes

Accurate and available data will capacitate all stakeholders seeking to respond and address the insurability crisis. To facilitate this, and as part of the office's commitment to transparency, the Commissioner should:

- Issue annual public reports detailing for both individual and multi-family properties the availability of property insurance, non-renewals, pricing, demographic disparities, and enforcement actions taken to reinforce accountability, strengthen public trust in oversight, and to provide insight into investment opportunities and needs to public and private entities.

6. Prevent conflicts of interest and uphold a standard of true accountability

The Commissioner must establish and uphold strong conflict-of-interest safeguards to ensure sustained independence from the insurance industry. These safeguards should include:

- Declining to accept campaign contributions from insurance companies, agents, brokers, and executives and boards of directors and spouses and their representatives.
- Prohibiting gifts or travel reimbursements from regulated entities during tenure in office.
- Ensuring full transparency of any third-party contributions involving regulated entities.
- Committing to a meaningful post-service non-engagement period of at least five years before accepting employment or a board of directors position with or lobbying on behalf of the industry

Part C.

Climate-Integrated Financial Supervision

The next Insurance Commissioner must evolve insurance regulation to reflect escalating climate risk and adopt a market-wide financial stability approach that safeguards not only insurers, but homeowners, businesses, lenders, and the broader state economy from cascading climate-driven shocks. This approach must be calibrated to strengthen market resilience without accelerating destabilizing market exits or shifting disproportionate burdens onto climate-vulnerable communities.

1. Institutionalize climate supervision within the Department of Insurance

Managing climate risk is essential as impacts to the insurance sector and beyond escalate. To ensure this is a core responsibility of the Department, the Commissioner should:

- Establish dedicated climate risk supervisory capacity within the Department using existing authority to rigorously evaluate insurers' asset and liability exposure to both physical risks and transition financial risks — including wildfire, flood, drought, extreme heat, and related economic shifts — and to assess how these risks interact across underwriting and investment portfolios.
- Strengthen long-term solvency oversight by adopting enforceable standards for climate risk assessment and group-level supervision, including scrutiny of affiliate transactions and capital transfers to ensure that risks are not shifted in ways that undermine the financial stability of California-domiciled insurers.
- Establish supervisory expectations that insurers proactively manage climate-related risk by supporting mitigation and resilience efforts at the property, community, and landscape levels, rather than relying primarily on premium increases or withdrawal from high-risk areas.

2. Increase oversight of insurers' climate-related financial exposure

To safeguard the insurance sector and the wider economy from the impacts and disruptions caused by unmitigated climate risk, the Commissioner should:

- Require comprehensive annual public reporting and regulatory review of insurers' asset and liability exposure to physical and transition-related climate risks, including investments in and underwriting of fossil fuel-intensive industries.
- Establish clear, enforceable supervisory standards requiring climate scenario analysis and stress testing to assess how these risks affect insurers' solvency and market behavior.
- Require that insurers develop and maintain credible transition plans as part of supervisory review, ensuring that investment and underwriting strategies do not undermine long-term solvency or contribute to systemic climate risk.
- In coordination with other agencies, use existing regulatory authority and support new legislation where necessary, to strengthen and ensure consistent implementation of climate-related financial disclosure requirements — including greenhouse gas emissions associated with investments and underwriting — and to ensure that insurers' transition plans are credible, enforceable, and aligned with California's climate and financial stability objectives.

3. Monitor and address macroprudential climate risks

Managing system-wide risks requires system-wide oversight. Applying the existing authorities of the Department as well as a collaborative and coordinated approach with interconnected agencies is critical. To achieve this, the Commissioner should:

- Strengthen oversight of risk transfer markets to prevent cascading risk, using existing supervisory and examination authority.
- Monitor interconnected exposures across insurers, reinsurance markets, utilities, lenders and banks, municipal and catastrophe bonds, and other financial levers to identify systemic vulnerabilities before they destabilize California's housing and business markets and the state's overall economic health.
- Coordinate with relevant state and federal agencies — including financial, housing, and consumer protection regulators — to assess cross-sector risks and ensure a consistent system-wide approach to preventing climate-related financial instability, including by mitigating climate change and promoting climate resilience.
- Assess in collaboration with other relevant state and federal agencies how insurance withdrawals and rising premiums create financial burden to households and communities — with spillover effects on mortgage lenders, municipal finance and local economies.

4. Ensure climate-related costs are not unfairly shifted onto policyholders

To protect policyholders from bearing disproportionate and unfair cost burdens, the Commissioner should:

- Use rate-setting and solvency oversight authority to ensure that climate-driven losses are not automatically passed through to policyholders without rigorous review of cost allocation practices.
- Evaluate whether insurers have taken reasonable steps to recover losses from legally responsible parties before approving rate increases.
- Sponsor legislation to strengthen cost-recovery and accountability mechanisms so that entities found legally responsible for climate-related harms bear their fair share, including enabling and supporting federal, state, and local legal actions where appropriate, thereby protecting households and small businesses from systemic cost transfer.

5. Advance climate risk leadership across insurance regulation

The next California Insurance Commissioner should use their unique position — overseeing the US' largest insurance market — to advance consistent climate-related risk oversight that preserves affordable access to insurance and mitigates system-wide financial risk.

- Through leadership at the National Association of Insurance Commissioners (NAIC) and engagement with federal and international bodies — including the Federal Insurance Office (FIO), Financial Stability Oversight Council (FSOC), the Sustainable Insurance Forum (SIF), and International Association of Insurance Supervisors (IAIS) — model leadership and promote broader adoption of rigorous standards for climate risk supervision, catastrophe modeling, solvency oversight, and public disclosure.

Conclusion

California's insurability crisis is not an isolated market disruption — it is a warning sign of deeper financial and climate risks that demand disciplined, forward-looking leadership. Protecting consumers from unaffordable premiums and preserving long-term financial stability are not competing goals; they are inseparable responsibilities of the office.

The standards outlined here reflect what responsible governance requires: rigorous consumer protection, transparent and accountable oversight, and prudent supervision of systemic risk. The next Insurance Commissioner must ensure that insurance remains affordable, accessible, and reliable in a changing climate — reducing cost burdens on consumers while safeguarding the broader financial stability of the system.

Lead Contributors

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Endorsements

- Alliance of Californians For Commuity Empowerment (ACCE)
- Americans for Financial Reform Education Fund
- The American Policyholder Association
- California Coalition for Rural Housing
- Center for Climate Integrity
- Ceres
- Climate Cabinet Education
- Climate Organizing Hub
- Consumer Watchdog
- Dave Jones, California Insurance Comissioner Emeritus
- Emergency Legal Responders
- End Poverty in California (EPIC)
- Esperanza Community Housing
- Extreme Weather Survivors
- Faith and Community Empowerment (FACE)
- Green America
- The Greenlining Institute
- National Housing Law Project
- Natural Resources Defense Council (NRDC)
- Neighborhood Partnership Housing Services
- Public Citizen
- Public Counsel
- Rise Economy
- Southern California Association of Nonprofit Housing (SCANPH)
- Strategic Actions for a Just Economy (SAJE)
- Third Act Sacramento
- Unlocking America's Future
- 350.org