SB-30 Insurance: climate change. (2017-2018)

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Senate Bill No. 30

CHAPTER 614

An act to add Section 12922.5 to the Insurance Code, relating to insurance.

[Approved by Governor September 21, 2018. Filed with Secretary of State September 21, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

SB 30, Lara. Insurance: climate change.

Existing law creates the Department of Insurance, headed by the Insurance Commissioner, and prescribes the commissioner's powers and duties, including various duties to regulate the business of insurance in this state and to enforce the execution of those laws.

This bill would require the Insurance Commissioner to convene a working group to identify, assess, and recommend risk transfer market mechanisms that, among other things, promote investment in natural infrastructure to reduce the risks of climate change related to catastrophic events, create incentives for investment in natural infrastructure to reduce risks to communities, and provide mitigation incentives for private investment in natural lands to lessen exposure and reduce climate risks to public safety, property, utilities, and infrastructure. The bill would require the policies recommended to address specified questions. The bill would also include a statement of legislative findings and declarations.

Vote: majority   Appropriation: no   Fiscal Committee: yes   Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) Much of California may have increasing exposure to climate-related events.

(b) California has environmental features that can mitigate damage from climate-related events.

(c) Innovative insurance and reinsurance businesses may provide opportunities to reduce the exposure of local communities and homeowners to these events.

(d) Reinsurance companies are already doing risk assessments and designing risk transfer products that incentivize investment in natural resources to mitigate against climate risks.

SEC. 2. Section 12922.5 is added to the Insurance Code, to read:

12922.5. (a) The commissioner shall convene a working group to identify, assess, and recommend risk transfer market mechanisms that promote investment in natural infrastructure to reduce the risks of climate change related to catastrophic events

and that:

(1) Create incentives for investment in natural infrastructure to reduce risks to communities.

(2) Provide mitigation incentives for private investment in natural lands to lessen exposure and reduce climate risks to public safety, property, utilities, and infrastructure.

(b) To the extent that the working group recommends risk transfer market mechanisms that would be provided by insurance and reinsurance companies, the working group shall recommend mechanisms that:

(1) Are profitable to insurance and reinsurance companies.

(2) If appropriate, apply to communities or regions, rather than individual land parcels.

(c) The policies recommended pursuant to subdivisions (a) and (b) shall include all of the following questions:

(1) What are the California analogies to examples in other countries for creating incentives for investment in natural infrastructure as part of insurance policies that mitigate elemental risks?

(2) Can we use insurance to create incentives for wetland restoration to help defend the coast against storm surge?

(3) Can we create incentives for forests to be managed to reduce the risk of major fires?

(4) Can we reduce the exposure of insurance companies to climate change-related losses through innovative state policies or insurance pricing mechanisms that reward good behavior and charge premiums for actions that increase public safety risks or losses of property or environmental attributes?

(5) Can we develop rating systems based on community risk factors to climate events, and use insurance incentives to make a community more resilient?