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AB-1236 Insurance: Climate and Sustainability Insurance and Risk Reduction Grant Program. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 1236

Introduced by Assembly Member Celeste Rodriguez
(Coauthors: [Assembly Members Gipson and Harabedian](#))

February 21, 2025

An act to add [and repeal](#) Article 2.5 (commencing with Section 12945) ~~to~~ [of](#) Chapter 2 of Division 3 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1236, as amended, Celeste Rodriguez. Insurance: Climate and Sustainability Insurance and Risk Reduction Grant Program.

Existing law establishes the Department of Insurance, headed by the Insurance Commissioner, and provides for the powers and duties of the commissioner. Existing law requires the commissioner to 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, 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.

This bill would require the department to establish and administer the Climate and Sustainability Insurance and Risk Reduction Grant Program, to be funded upon appropriation by the Legislature, for the purpose of achieving specified goals, including developing proofs of concept that expand insurance options and testing community-purchased insurance to reduce overall insurance costs, as specified. The bill would require the department to report to the ~~Legislature~~ [Senate Committee on Insurance and the Assembly Committee on Insurance](#) on program results on or before January 1, 2029, and on or before January 1 every 3 years thereafter. The bill would repeal these provisions on January 1, 2035.

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

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

SECTION 1. Article 2.5 (commencing with Section 12945) is added to Chapter 2 of Division 3 of the Insurance Code, to read:

Article 2.5. Climate and Sustainability Insurance and Risk Reduction Grant Program

12945. The Legislature finds and declares all of the following:

(a) California is facing increasingly extreme impacts of climate change, as evidenced by record-setting heat waves, devastating wildfires, and destructive flooding.

(b) In 2018, the Governor and the Legislature enacted Senate Bill No. 30 (Chapter 614 of the Statutes of 2018), directing the Insurance Commissioner to convene the Climate Insurance Working Group. The Climate Insurance Working Group was convened in 2019, including representatives from leading California environmental groups, international climate policy groups, universities, and the insurance and reinsurance sector, and met publicly to address the priorities of the enacted legislation.

(c) In 2021, the Climate Insurance Working Group published the Climate Insurance Report, available on the department's internet website, containing recommendations to help protect California communities, preserve nature, and build resiliency to climate impacts. The Climate Insurance Report focused on reducing the impacts to communities from flooding, extreme heat, and wildfires, and the compounding effects of ongoing drought.

(d) The Climate Insurance Report stated that as the impacts of climate change intensify, insurance protection gaps will likely widen, exacerbating the disproportionate impacts from climate-intensified events faced by vulnerable communities.

(e) The Climate Insurance Report noted that individuals with insurance tend to recover faster from wildfires, floods, and other disasters, and that insurance uptake speeds economic and social recovery of communities.

(f) However, even though climate-intensified risks are increasing, fire insurance is becoming increasingly expensive and difficult to obtain. Few households in California have insurance for flooding, and insurance related to extreme heat events is rare.

(g) The Climate Insurance Report highlighted that California has a widening insurance protection gap, leaving communities more exposed to financial costs and less able to recover from climate-fueled disasters. Accelerating climate risks threaten insurance affordability and availability, making it more difficult for people and communities to recover. Households, businesses, and communities that are uninsured or underinsured and reliant on government relief face a slow and challenging rebuilding process that can exacerbate existing inequalities.

(h) Consequently, the Climate Insurance Report urged the state to build more capacity for strong and equitable recovery from climate disasters by investing in innovative approaches to insurance that will expand access, close the protection gap, and protect individuals and communities from the physical and financial risks of climate change.

12946. (a) The department shall establish and administer the Climate and Sustainability Insurance and Risk Reduction Grant Program, to be funded upon appropriation by the Legislature, for the purpose of achieving the following goals:

(1) Develop proofs of concept that expand insurance options through the use of insurance mechanisms, including community-based insurance and parametric insurance, to shrink the protection gap in vulnerable and disadvantaged communities that are most exposed to climate risks.

(2) Explore innovative approaches to insurance that build economic resilience, with particular 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.

(3) Test community-purchased insurance to reduce overall insurance costs, paired with risk reduction activities that may be funded by other agencies.

(4) Support projects that incorporate nature-based solutions to achieve both risk reduction and enhanced ecosystem services.

(5) Support projects that emphasize regional-scale and community-scale approaches to reducing risk.

(6) Create climate resilience districts, in accordance with Division 6 (commencing with Section 62300) of Title 6 of the Government Code.

(7) Educate communities on the role insurance can play in preparing for catastrophic climate events, as well as building resilience in the aftermath of those events.

(b) On or before January 1, 2029, and on or before January 1 every three years thereafter, the department shall issue a report to the ~~Legislature~~ *Senate Committee on Insurance and the Assembly Committee on Insurance* on the results of the grant program and the opportunities for the lessons learned to strengthen the state's approach to climate resilience. The report shall be submitted in compliance with Section 9795 of the Government Code.

12947. This article shall remain in effect only until January 1, 2035, and as of that date is repealed.

REVISIONS:

Heading—Line 2.
