

CLIMATE INSURANCE WORKING GROUP MEETING | JULY 16, 2021
DRAFT MINUTES, TO BE CONSIDERED AT THE NEXT WORKING GROUP MEETING

Participants:

Commissioner Ricardo Lara | California Department of Insurance
Alice C. Hill (Chair) | Senior Fellow for Climate Change Policy at the Council on Foreign Relations
Carolyn Kousky (Vice-Chair) | Executive Director, Wharton Risk Center
Serena Sowers | Vice President, Public Sector Solutions North America, Swiss Re
Kathy Baughman McLeod | Director, Adrienne Arsht-Rockefeller Foundation Resilience Center at the Atlantic Council
Kristen Pawling | Sustainability Program Director, Los Angeles County Chief Sustainability Office
Sona Mohnot | Greenlining
Lloyd Dixon | Senior Economist at the RAND Corporation and Director of RAND's Center for Catastrophic Risk Management and Compensation
Louis Blumberg | Principal of Blumberg West Consulting
Michelle Passero | Climate Change Program Director, The Nature Conservancy
Starla Yeh, Natural Resources Defense Council
Katelyn Roedner Sutter | Climate Program Manager, Environmental Defense Fund

Deputy Commissioner Mike Peterson made welcoming introductory remarks to explain how the public could participate by using the "Raise Hand" function of the virtual format and how the public could access the meeting materials on public website of the California Department of Insurance (CDI) or via email. Deputy Commissioner Peterson reviewed the meeting's agenda items. He then turned the meeting over to the working group chair, Alice Hill.

Chair Hill welcomed the working group members and public participants to the ninth meeting of the working group and reiterated that the meeting would focus on proposed revision to the draft report and next steps in finalizing the report. Chair Hill reviewed the dramatic events the world has experienced since the working group began meeting and emphasized how imperative it is to address increasing climate change threats with proactive action. She indicated that the group has focused on the question of what role insurance can play in producing better outcomes. Chair Hill noted the timeliness of the working group's recommendation as they, if adopted, can strengthen the resilience of California. She thanked Commissioner Lara for his leadership in convening the working group and supporting its work. Chair Hill thanked the working group members for their stellar contributions which would not have happened without the generous donation of their time and intellectual capital. Chair Hill passed the meeting over to California Insurance Commissioner Ricardo Lara.

Commissioner Lara thanked Chair Hill and the working group for their successful work on this groundbreaking climate insurance report. He referenced the deadly impacts of the extensive extreme heat waves that California has experienced since the last working group meeting and is

thankful for the group's decision to prioritize the peril of extreme heat, in addition to wildfire and flooding, when work began on developing the report nearly two years ago. He underscored the importance and value of this inclusion as it will help to protect those who are hurt the most, California's seniors, children, communities of color, immigrant communities and essential outdoor workers who have kept the economy going throughout the pandemic.

Commissioner Lara also referenced the wildfires the state is currently experiencing and the fact that more acres have already burned in 2021 than in all of 2020. He recognized that the recommendations and ideas contained in the report are challenging and will not be quick fixes, but they are bold and visionary. Many solutions will not be easy to achieve politically but it is necessary to rethink the role of insurance in preparing Californians for disasters. This proactive role is often missing when leaders talk about sustainable solutions like the ones contained in this report. Commissioner Lara voiced his belief that creative solutions can be tailored to specific communities by blending community risk reduction and risk transfer policies. He emphasized it is necessary to fundamentally consider whether public policies are fair and equitable, and question whether they reach every single California, particularly those who have been left behind. Solutions must be evaluated through the lenses of consumer protection and transparency in order to democratize policies and make resources accessible to communities that are disproportionately affected.

Commissioner Lara noted that the protection gap grows everyday as inequity is created and exacerbated. He is excited to support the report's recommendations because they focus on reduction risk and expanding protections which is essential to California's efforts to mitigate and prevent climate change impacts. Commissioner Lara reiterated his refusal to accept a future where climate change increases the gap between the wealthiest and the rest, noting the important role insurance can play in protecting communities. The report demonstrates the importance of focusing on multiple climate impacts and provides novel recommendations to address the growing national threats of extreme heat, along with flooding and wildfire. He finds these to also have national significance in expanding financial risk disclosures along with the state-level climate survey of insurance companies. He supports the report's recommendation to make solutions more visible to consumers, communities, and local government, all of whom need to take the proper steps to prepare. Most important to Commission Lara is that the recommendations will make a difference in the lives for millions of Californians.

Commissioner Lara noted the opportunity to lead the nation and the world in finding bold and creative solutions to the threat posed by climate change impacts. He thanked Chair Hill for her leadership and the working group members for their expertise, perspective and willingness to work together in a new, innovative way. Commissioner Lara identified how important it will be for members to help educate and inform others about the report and its recommendations and include other interested stakeholders in working towards a more sustainable future. The hard work of changing minds and opinion, and working effectively with key legislative leaders will lay the foundation of implementing the recommendations. He shared that other state insurance regulators are very interested in the report, and in potentially providing input on the recommendations and making similar efforts in their own states.

Commissioner Lara again voiced his thanks and appreciation for the members' work and congratulated the group on a job well done.

I. Welcome and Approval of July 16, 2021 Meeting Minutes

Chair Hill thanked Commissioner Lara and underscored the importance of his call to action. She then turned to the official agenda. No working group member requested additional time to review the Minutes from the preceding meeting.

Deputy Commissioner Peterson checked for public comment regarding the preceding meeting's Minutes. There was no public comment.

Member Pawling requested the Minutes be edited to reflect her participation in the meeting.

Chair Hill noted there is no objection to that amendment and asked if there was a motion to adopt the amended Minutes.

Member Baughman-McLeod moved to approve the minutes. Poor audio quality obscured which member seconded the motion. All working members present voted affirmatively to adopt the Minutes.

III. Discussion: Draft Report

A. Comments on Draft report and recommendations

Chair Hill turned the meeting over to Deputy Commissioner Peterson to review the revisions to the draft report.

Deputy Commissioner Peterson identified that the revised draft report is posted to CDI's public website and are also available by request via email. He identified that the revisions reflect the edits proposed at and made since the June 4 meeting that add specificity and clarity to the major themes of the report: community mitigation, nature-based solutions, closing the protection gap and equity. Following his review of the revisions, working group members may raise any additional edits so the meeting can conclude with everyone agreeing on the current version of the report.

Chair Hill shared the importance of sharing edits line by line for the sake of transparency. She encouraged working group members to propose any additional revisions in the form of line edits as well.

Deputy Commissioner Peterson reviewed the following revisions:

Page One:

- Incorporated the information from the appendices into the body of the report, making the recommendations clearer as a standalone document rather than being disjointed and having information in multiple places, so that the reader will be able to react to the recommendations with the relevant information all synthesized in one place.
- Clarified the definition of vulnerable communities to be consistent with California state statute as well as a specific reference to the ongoing work of the Climate Vulnerability Assessment that Member Pawling is leading for the County of Los Angeles, an excellent example of how ideas on heat, flood, and fire might be implemented to protect the most vulnerable communities.
- Combined recommendations in the wildfire and flooding sections to improve clarity.
- Adapted a review of the literature cited to ensure accuracy and completeness.
- Updated introduction to the executive summary to make focus points consistent and to reflect some of the changes made in the body of the draft. Those focus points center on who is being left behind, how can risks be reduced through community mitigation and the importance of available and affordable insurance to resilience.
- Created two-page report summary which is helpful to make the report accessible to those who may not read the full report (also posted to CDI's public website and available by request via email.)
- Grammatical edits to the executive summary that clarify language regarding risk reduction and improved tools for financial resilience, amend "fire" to read "wildfire," specify discussion refers to fortifying homes and reducing risk and communities when referencing that better building and land use strategies can buffer some of the future impacts.
- Clarifies reference is to natural nature-based solutions and that natural systems can lower the probability or reduce losses when it occurs.
- Identifies report referenced is by National Institute of Building Sciences so that readers can find the report.

Page Two:

- Revised language to clarify that all impacts cannot be avoided but their effects can be reduced and when risk is reduced insurance becomes more available and more affordable.
- Clarified importance of promoting investment in nature-based risk mitigation to harness insurance mechanisms.
- Grammatical edits for clarity: "The report also explores how financial tools, namely insurance, could make vulnerable communities and the state more resilient in the face of devastating escalating climate impacts."

Page Three:

- Clarified threats referenced are climate threats.
- Specified where protection gaps occur and that these are businesses that are facing fire damage and receiving insufficient insurance payouts.

Page Four:

- Language changed to a more active voice.

Deputy Commissioner Peterson identified that the report offers three examples for which no additional detail is given. Each project is defined and included in the reference section so readers may find them.

Deputy Commissioner Peterson checked for public comment regarding the revisions to the draft report. There was no public comment.

Deputy Commissioner then asked working group members to use the “Raise Hand” function to offer comments or line edits and turned the meeting over to Chair Hill.

Member Pawling proposed clarifying, in the Wildfire section, whether the reference is to the state or national Fourth Climate Assessment.

Chair Hill confirmed this is exactly the type of edit that will strengthen the report and make it easier for people to understand what the working group is communicating.

Member Pawling proposed adding specificity to the reference to the Commissioner on Climate Adaptation.

Deputy Commissioner Peterson thanked Member Pawling for the edit and will work to make those references consistent throughout the report.

Member Mohnot offered two edits. First, on page four in Extreme Heat section, she suggested specifying that resulting respiratory illnesses affect low income communities of color that are already living in areas with poor air quality.

Deputy Commissioner confirmed no working group member objected to incorporating Member Mohnot’s edit and incorporated the edit.

Member Mohnot proposed a similar second edit on page 11, regarding the urban heat island. She recommended specifying that low income communities of color are disproportionately exposed to urban heat island.

Deputy Commissioner confirmed no working group member objected to incorporating Member Mohnot's edit and incorporated the edit.

Member Blumberg identified a grammatical error in the Extreme heat section, where the sentence begins "Insurance Commissioner should also consider..."

Deputy Commissioner offered an edit to resolve that concern: "The Insurance Commissioner should also consider whether existing risk transfer solutions available in the market can reduce risks of supply chain disruptions or alleviate the drain on past workers compensation to focus on newer risks."

Member Pawling stated the sentence may benefit from additional editing.

Member reviewed that the general point is to consider whether existing risk transfer solutions that are available in the market can reduce risk.

Deputy Commissioner Peterson separated the thought in two sentences: "The Insurance Commissioner should also consider whether existing risk transfer solutions available in the market can reduce risks. Two potential examples could be supply chain disruptions or past workers compensation."

No working group member objected to the edit.

Member Passero proposed making nature-based solutions plural in Wildfire number five.

No working group member objected to the edit.

Member Blumberg suggested adding the words "can be" to the third sentence on page 47.

No working group member objected to the edit.

Member Pawling indicated she appreciates the way the Climate Vulnerability Assessment references were included and will let others know when the report is final and a direct link is available.

Chair Hill thanked her and others who have brought attention to what she thinks was the clear intention of the working group. She is thankful for the efforts to clarify the report and make it better.

Chair Hill confirmed there were no further edits from working group members.

Chair Hill turned the meeting over to Deputy Commissioner Peterson.

Deputy Commissioner Peterson checked for public comment regarding the newly proposed revisions to the draft report. There was no public comment.

B. Decision to finalize recommendations

Chair Hill moved to Part B of Agenda Item 3, deciding how to move forward with the draft recommendations. She asked the working group if there were any objections to formally incorporating the revisions that Deputy Commissioner Peterson reviewed and that working members proposed in this meeting and then instructing the California Department of Insurance to make the revised version final and then publish the report once it can be put into the proper layout for a published document. She expects this process would also include correcting any minor typographical errors that are discovered.

No working group member objected to her proposal.

Chair Hill turned the meeting over to Deputy Commissioner Peterson.

Deputy Commissioner Peterson checked for public comment regarding the decision to finalize the recommendations. There was no public comment.

Chair Hill congratulated the working group on their incredible achievement in laying the groundwork, for California and other countries, for how they can think about ensuring that adequate insurance is available going forward in the face of escalating climate risk. She noted that it is a remarkable accomplishment to reach consensus on the path forward for California, which makes the report more powerful.

IV. Communications opportunities and priorities

Chair Hill moved to Agenda Item Four and turned the meeting over to Deputy Commissioner Mike Peterson.

Deputy Commissioner reviewed that the National Association of Insurance Commissioners (NAIC) continues to meet. As the report is published there will be a great opportunity to speak and communicate the recommendations to the other regulators. Commissioner Lara co-chairs the Climate Resiliency Task Force which is an appropriate venue to receive those recommendations and hopefully apply them in other states. Thirty-three states have joined that task force so there is broad membership.

The second item Deputy Commissioner Peterson raised is the active work that Member Bacani is doing with the United Nations on a series of nature-based events in the fall that will lead up to the United Nations Conference of the Parties (COP) meetings in November. He asked the working group members to think of how the group's climate work intersects with future events, especially with what he thinks is one of the most influential novel pieces of the report, which is how urban forests, urban greening, wetlands and forest management buffer people from

climate impacts. Deputy Commissioner Peterson encouraged working group members to look for opportunities to link these ideas with a wider audience.

Deputy Commissioner Peterson reviewed that the next working group meeting will be on August 20 and, at that meeting, he'd like to identify other venues for communication and any refinements to recommendations. He turned the meeting back over to Chair Hill.

Chair Hill shared that she loves the call action after putting so much work into the report. She finds it powerful to speak with one voice about the recommendations and hopes that each member uses this document to advance the issues going forward. Chair Hill welcomes the opportunity to work with each working group member on ideas regarding how to share the report widely.

Member Pawling confirmed the next meeting will be held on August 20. She asked when the final report would be published as she'd like to reference it at an upcoming event.

Deputy Commissioner Peterson expects the report to be published in approximately 10 days.

Member Pawling shared that Los Angeles County and Swiss Re have begun exploring an Extreme Heat parametric insurance product. Los Angeles County's risk manager is very familiar with parametric insurance products in other applications and sees the potential to fill the Extreme heat protection gap.

Chair Hill congratulated Member Pawling on putting ideas into action.

Commissioner Lara shared that during the NAIC Commissioner's meeting this week the Climate Risk Disclosure work stream announced that there are now 15 states participating in the Carbon Risk Disclosure Survey which means close to 80% of the nation's insurance market is now captured. This also marks the addition of the first state with a Republican governor, making the survey a national bipartisan effort. He shared there is now also discussion about housing the survey itself within the NAIC, as a repository and research tool. He remarked on the progress of the NAIC actually housing the survey as it continues to grow and shared that five other states have confirmed they are working with their governors to join the survey.

Chair Hill thanked Commissioner Lara for sharing this terrific news, noting the broadening interest and appreciation for what is at stake.

Deputy Commissioner Peterson checked for public comment regarding the communication opportunities and priorities.

As a public comment, Kara Cross asked with the report being finalized in this meeting, what is the plan for the August 20 meeting?

Chair Hill shared that the working group will discuss further ways to augment the rollout of the report so that it has the broadest reach possible. The recommendations will not be implemented unless there is a broad spectrum of stakeholders who are involved and committed to finding solutions. As the working group gains understanding of how the document has been received, it will want to be responsive to what it learns from that feedback and then work with CDI to shape future recommendations to accelerate work in this space.

Kara Cross thanked Chair Hill.

Deputy Commissioner Peterson shared that an agenda will be posted, as always, 10 days prior to the meeting that will offer specificity and thanked Kara Cross for her comment and attendance.

Amy Bach thanked Commissioner Lara and members of the working group and shared her appreciation for their work in this space. She indicated that United Policyholders (UP) has had a working group for some time now that was a follow-up from the insurance subgroup of the Tree Mortality Crisis Task Force. She reviewed that the UP working group has presented CDI with a recommendation list of 13 home-hardening steps that it hopes will become the platform for a statewide wildfire risk reduction insurance reward program. She asked Deputy Commissioner Peterson if working group will review this list at the August 20 meeting.

Deputy Commissioner Peterson commented that the home-hardening recommendation list is complementary to the working group's efforts and thanked Amy Bach for all the helpful, important work that she has done for Californians to bring clarity to home-hardening measures. He agreed to consider including the list for public discussion at the next meeting and thanked her for the suggestion.

Amy Bach indicated her appreciation for having a CDI representative regularly attend UP's calls with firefighting professionals, Fire Safe Council community activists, in addition to fire scientists. She noted that it is great the UP working group has completed this work and is looking forward to making that work product available to the Climate Insurance working group.

Commissioner Lara thanked Amy Bach for her important work on wildfire mitigation for both homes and communities, and her work to incentivize home hardening, which is definitely complementary to the recommendations discussed today. He thanked her for her leadership and organization as work continues on statewide mitigation standards.

Amy Bach thanked Commissioner Lara and looks forward to working together.

Chair Hill thanked Kara Cross and Amy Bach for their helpful comments and noted the working group looks forward to their future participation if they are interested in attending meetings. She thanked the working group and Commissioner Lara and indicated she hopes that final product will result in the kind of change the working group is seeking. Chair Hill turned the meeting over to Commissioner Lara.

Commissioner Lara thanked Chair Hill and shared how appreciative he is for everything the working group has done. As this work continues, he is thankful for their thoroughness, insights, ideas and work on managing risk and bolstering resilience. He looks forward to future meetings and discussions. As he mentioned earlier, the NAIC Climate Change and Resiliency Task Force is also making headway. He is eager to bring the working group's ideas to his insurance regulator colleagues and promote the great results of the working group. He feels deeply indebted to their work and the dedicated effort they've given to this project. Commissioner Lara believes they will be able to lead the way in this new path and looks forward to next steps.

Chair Hill thanked everyone and reiterated that the next meeting on August 20 will focus on where they can take this report.

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