



California Department of
Insurance

Partnership Initiative



LOCAL PLANNING GUIDE FOR EXTREME WEATHER EVENTS

A Message from the Insurance Commissioner

As extreme weather events become more frequent and severe, the effects of climate change pose a significant threat to our cities, ecosystems, economy, and insurance marketplace. Addressing climate challenges requires a multifaceted approach that includes improved risk assessment and mitigation strategies, innovative solutions, and collaboration among stakeholders to create communities capable of withstanding the impacts of climate change.

This guide explores the vital role insurance plays in mitigating climate risks and building financial resilience within communities, outlining key insurance concepts, innovative financial solutions, and practical strategies for fostering climate resilience.

Investing in climate change mitigation is not only an environmental necessity, but a strategic economic choice that can reduce risks, stimulate local growth, and stabilize insurance markets.

We hope these insights empower you to develop insurance solutions for climate resilience. Without increased investment in risk reduction and financial resilience, communities risk escalating climate risks, greater losses, reduced insurance availability, and diminished capacity to adapt. The Department of Insurance can provide technical assistance to help cities and municipalities exploring innovative insurance solutions comply with relevant laws and regulations.



Ricardo Lara
Insurance Commissioner

The Role of Insurance in Local Climate Planning



Many cities, counties, and special districts want to increase climate resilience and insurance availability in their communities, but don't know where to start. Innovative insurance solutions can be incredibly valuable in mitigating various climate risks and fostering financial resilience.

What is insurance?

Insurance is a risk management tool that provides financial protection by transferring the risk of major losses from the insured to the insurer in exchange for regular, manageable premiums. Insurance reduces financial unpredictability by covering significant losses after catastrophic events. As a contractual agreement rather than a funding source, insurance spreads out financial risks and helps communities plan for, recover from, and mitigate the social and humanitarian impacts of disasters.

What role can insurance play in fostering climate resilience?

Extreme weather events like wildfires, floods, and heatwaves can overwhelm local resources, creating an urgent need for funding to support emergency response, infrastructure repair, and public services—costs that many local budgets are not equipped to handle independently. There is ample evidence that suggests insurance helps people recover after disasters and even rebuild stronger and more resiliently. As a collective financial tool, insurance can empower communities to take ownership of their recovery, foster resilience, and better prepare for future challenges.

Innovative Insurance Strategies

Innovative insurance solutions, like parametric policies, community-based pools, and nature-based strategies, reduce risks and provide financial protection for communities. They cover operational costs, enhance disaster recovery, and close insurance gaps, supporting vulnerable populations and fostering resilience.

Benefits:

- Cover a broader range of costs, including operational expenses and lost revenue for local governments.
- Enhance financial support and disaster recovery capabilities.
- Close the protection gap while reducing risks for vulnerable communities



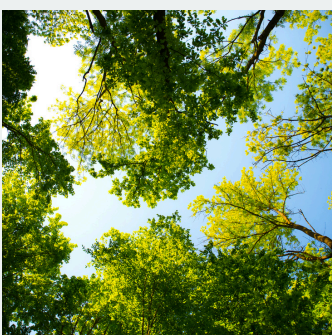
Parametric Insurance

Provides preset payouts when specific conditions, like extreme temperatures or wind speeds, are met, enabling faster claims settlement and quicker disaster response.



Community Based Insurance Pools

Allows public entities to share insurance costs among members, providing stable, cost-effective coverage.



Nature-Based Solutions

Integrates natural infrastructure, like wetlands or forests, to reduce climate risks while providing financial protection and resilience for communities.

Parametric Insurance Projects

Community-Based Flood Insurance in the City of Isleton

Community leaders in Isleton are using \$200,000 in grant money from the California Department of Water Resources to test if a community-based flood insurance program could work in flood-prone communities like Isleton as a supplement the National Flood Insurance Program (NFIP).



Innovative Insurance Strategies in Imperial Beach

With the support of the Department of Insurance, Imperial Beach, California, has been awarded an \$848,000 grant by the California Ocean Protection Council to develop strategies addressing coastal flooding risks. The city will evaluate these risks, explore parametric insurance solutions, and establish a climate resilience financing district to fund mitigation efforts, thereby enhancing resilience against future hazards.

Creating a Holistic Approach to Community-Centered Resilience

Revamping parks as multi-functional spaces is a powerful way to address climate risks while enhancing community well-being. By incorporating natural fuel breaks, hiking trails, and walking paths, parks provide recreation while mitigating perils like wildfire, extreme heat, and flooding. These measures reduce losses, protect lives, and create safer communities, ultimately lowering risks and making insurance more accessible and affordable for high-risk areas.

Ricardo Lara Linear Park in Lynwood, California, integrates flood mitigation with community amenities. Spanning 5.25 acres, the park uses bioswales and retention basins to manage stormwater runoff from nearby freeways, reducing flooding risks. It also features a walking path, playgrounds, a dog park, fitness stations, and a community garden, blending environmental resilience with spaces for recreation and community engagement.



Funding Mechanisms

As cities increasingly understand the importance of climate action, they are developing creative funding strategies to tackle both climate change impacts and equity.



Local Fees and Taxes

Long Beach's Barrel Tax serves as a carbon tax, collecting money from oil producers, whose products will result in emissions, and using that funding to support climate initiatives

Climate Resilience Districts

Cities, counties, and special districts can form climate resilience districts to raise revenue, plan climate mitigation or adaptation projects, and implement those projects.



Philanthropy/Non Profits/ Foundations

Philanthropy California, an alliance of over 600 philanthropic entities, invests billions annually to support climate resilience and environmental justice across the state.

Funding Mechanisms



Federal Grants

FEMA's Building Resilient Infrastructure and Communities program invests in cities and local communities as they undertake hazard mitigation projects, reducing the risks they face from extreme weather events.

State Grants

Integrated Climate Adaptation and Resiliency Program (ICARP), managed by the Governor's Office of Planning and Research, offers grants to local, regional, and tribal governments for climate adaptation planning.



Bonds

Prop 4, approved by voters in November 2024, this \$10 billion bond focuses on safe drinking water, wildfire prevention, drought preparedness, and clean air initiatives.



Resources

To effectively address climate challenges, it is crucial to connect with specialized resources and organizations that offer expert guidance, tools, and support for climate adaptation and resilience strategies.

Name	Website	Contact
Governor's Office of Land Use and Climate Innovation	https://lci.ca.gov	info@opr.ca.gov
California Natural Resources Agency	https://resources.ca.gov	cnra@resources.ca.gov
California Office of Emergency Services	https://www.caloes.ca.gov/	caloes@caloes.ca.gov
California Ocean Science Trust	https://www.oceansciencetrust.org/	info@calost.org
California Ocean Protection Council	https://opc.ca.gov/	opc@resources.ca.gov
National Oceanic and Atmospheric Association	https://www.noaa.gov/	nos.info@noaa.gov
California Climate Data Archive	https://calclim.dri.edu/	wrcc@dri.edu
California Department of Insurance	https://www.insurance.ca.gov	crob@insurance.ca.gov

