

CLIMATE INSURANCE WORKING GROUP MEETING | JUNE 4, 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

Serena Sowers | Vice President, Public Sector Solutions North America, Swiss Re

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

Raghuveer Vinukollu | Vice President, Natural Catastrophe Solutions, Munich Re

Michelle Passero | Climate Change Program Director, The Nature Conservancy

Starla Yeh | Natural Resources Defense Council

Katelyn Roedner Sutter | Climate Program Manager, Environmental Defense Fund

Mike Lynes | Audubon

Carolyn Kousky | Executive Director, Wharton Risk Center

I. Welcome and Approval of August 20, 2020 Meeting Minutes

Deputy Commissioner Peterson welcomed attendees to the June 4, 2021 meeting of the California Climate Insurance Working Group. He thanked attendees for coming and advised that he would wait several minutes to allow additional attendees to join the meeting.

Deputy Commissioner Peterson shared that audio and video of the meeting was being recorded. He advised that meeting materials were available on the website of the California Department of Insurance ("the Department") and that attendees could email

CDIRegulations@insurance.ca.gov for copies of the meeting notice or meeting materials.

Deputy Commissioner Peterson shared that any interested person was able to participate in the meeting by utilizing the Zoom "Raise Hand" feature during a public comment period and described how the public comment periods would work.

Deputy Commissioner Peterson then turned the meeting over to Chair Alice Hill.

Chair Hill welcomed attendees to the eighth meeting of the Climate Insurance Working Group and noted the working group's remarkable work in developing a groundbreaking set of recommendations to address the great challenge of climate change. She noted that climate change threatens to widen the protection gap, wherein many people must forgo insurance which affects the stability of real estate markets and jeopardizes the value of what is, for many, the most valuable asset they own. Chair Hill believes this is the first report of its kind and hopes that it lays the groundwork for future efforts to insure climate risk. Chair Hill finds that the working group has tackled the task of finding a better path forward with thoughtfulness, diligence, and creativity, and she appreciates the effort that has gone into the recommendations.

Before moving forward, Chair asked for a motion to adopt, or amend, the Minutes from the preceding meeting.

Member Pawling indicated she would abstain from voting on the Minutes, having not been present at the previous meeting.

Member Blumberg clarified two points in the Minutes specific to the Heat team's work. On page ten, number three would do as the document indicates but the recommendation is to pursue an environmental impact bond. For number four, the recommendation is to pursue a pilot project consistent with the framework that would focus potentially on a hospital. Member Blumberg would like to insert those action elements into the Minutes.

Chair Hill asked if there was any objection to those amendments.

There was no objection.

Chair Hill asked for either additional proposed amendments or a motion to approve the Minutes. Member Blumberg moved to approve the Minutes. Member Pawling abstained. Other working group members voted in support. The motion carried.

Chair Hill introduced Commissioner Ricardo Lara and welcomed his comments on the draft recommendations.

Commissioner Lara reviewed that he is both a working group member and the recipient of the draft recommendations and indicated that he is proud to endorse the draft recommendations. He finds that the report is thoughtful and provides extensive tools for advancing fairness and equity in California, amidst rising climate impacts. He stated that climate change exacerbates societal inequalities, and as those without insurance are the least able to bounce back after a fire or a flood and highlighted how urban residents and outdoor workers face increasing heat waves with fewer protections. He thanked the working group for their detailed and creative ideas and acknowledged the astronomical cost of not taking action to meet the climate challenges that California and the world face.

Commissioner Lara identified examples of the effects of the perils the draft recommendations address, including a lack of awareness of flood risk in California, the disparate access in Black, Asian, and Latino communities to relief from extreme heat, and the impact of wildfires on rural residents and those living in the wildland urban interface ("WUI") where the rate of nonrenewals of homeowners' insurance policies continues to rise. Commissioner Lara raised concern for the many people who are forced to find insurance that covers less and costs more, especially California's seniors, people with disabilities, and working families, who face the potential of future wildfires with less protection. Commissioner Lara indicated that he does not accept a future where climate change increases the gap between the wealthy and the rest of society and identified insurance as a key factor in climate adaptation.

Commissioner Lara emphasized that the draft recommendations demonstrate the importance of focusing on multiple climate impacts, including some of the first ever recommendations dealing with the growing national threat of extreme heat, along with flooding and wildfire. He finds the ideas to have national significance as the Biden administration moves ahead on increasing financial disclosures. Building on California's state-level climate risk survey of insurance companies, Commissioner Lara stated that the draft report recommends making climate risk more transparent for consumers and local governments.

Most important to Commissioner Lara is that the recommendations will make a difference for millions of California, which was his hope in convening the working group. He recognized the working group's efforts and collaboration in drafting a report that provides creative solutions that can be tailored to specific communities, blending together community risk reduction and risk transfer policies. As the recommended policies are developed further, he advocated for the working group to maintain focus on equity to democratize the benefits of the changes and protections sought. Commissioner Lara urged the working group to move forward in finalizing revisions to the report so, as the California Insurance Commissioner, he can get to work in setting priorities and turning ideas into realities. He cautioned that the complex ideas will be challenging, identifying they will not be quick fixes or easy to implement. While recognizing that these efforts will delve into uncharted territory, Commissioner Lara argued that California is comfortable with this charge and is obligated, not just to protect the state, but to lead the nation. Commissioner Lara asserted that now is the time to be bold and creative, while staying true to California's strong record of protecting consumers through transparency and fairness in our insurance marketplace.

Commissioner Lara thanked Chair Hill for her tremendous leadership and thanked each member of the working group for their expertise, perspective and willingness to forge a new path for consumers, the insurance market, and the state of California. As someone who grew up in one of the communities most impacted by climate change, Commissioner Lara expressed his sincere gratitude. He argued it is time to make communities like the one he grew up in a priority. The draft report is innovative, creative and works to protect every community in California, an effort that makes Commissioner Lara proud. He is indebted to the working group and looks forward to working on their collaborative solutions.

Chair Hill thanked Commissioner Lara and circled back to his point that the nation is facing the same critical issues that California is combating. She hopes that California will continue to be a leader in this space. Leadership matters. Chair Hill expressed the working group's gratitude for Commissioner Lara's leadership and willingness to help the state understand what is at stake. She noted how difficult it is to implement solutions and create better outcomes without the support of strong leadership. Chair Hill identified the importance of Commissioner Lara's role in this effort, from conception and creation of the working group itself to supporting future work. She thanked him for everything he does to make sure California is a safer place, in the very near-term and the long-term.

Chair Hill asked Deputy Commissioner Peterson to check for any public comment. There was none.

II. Announcement of next meeting

Chair Hill moved to the next agenda item, the proposed date for the next working group meeting, August 20, noting that the working group anticipated continued work. Chair Hill noted that after the report is finalized, the working group's next step is to work with the California Department of Insurance ("Department") to develop an implementation plan to aid the assimilation and understanding of how to act on the working group's recommendations.

Chair Hill asked Deputy Commissioner Peterson to check for any public comment. There was none.

III. Discussion: Draft Report

A. Comments on Draft report and recommendations

Chair Hill moved to the third agenda item, the discussion of the draft report. She noted that about the current draft would be updated to include additional examples of equity considerations, and integration and clarity on nature-based solutions. In addition she noted that there would be corrections and revisions. Chair Hill finds that such revisions will strengthen the report and would like to open discussion on this topic with the working group.

She reviewed that the intention is to finalize the draft and issue it in final form but first the working group will do this final round of discussion and revision to make sure the work and the recommendations are accurately reflected. Chair Hill asked that working members raise their hand to indicate if they have any further additional comments.

Chair Hill recognized Member Pawling and confirmed that Member Pawling's abstention from approving the Minutes of the last meeting will be noted in the Minutes of this meeting.

Member Pawling noted that Member Passero and Member Sowers also wished to abstain as they were absent from the previous meeting. Additionally, Member Pawling noted that she wished to review specific parts of the report to provide clarification regarding additional revisions. Member Pawling noted her particular interest, and the interest of the Chief Executive Office of the County of Los Angeles, in the rethinking of the role of insurance in the context of future and current climate change, and how it can serve the most vulnerable people. Part of the core function of their work as a county is serving the most vulnerable which is why she chose to focus on extreme heat. Member Pawling identified how proud she is of what the working group has done, especially the Extreme Heat Subgroup, and she appreciates Commissioner Lara's comments about what energizes him with this work. This focus was the general scheme that guided her input and revisions in the last round of edits to the report and she appreciates the group's work to integrate her feedback. Member Pawling would like to discuss the definitions of "vulnerable" and of "vulnerable communities" and recognizes that those definitions may vary across the perils. She indicated she wished to discuss whether the group plans to define these terms.

Chair Hill responded that she is not aware of the terms being defined in the report currently and welcomes the proposal of definitions.

Member Pawling shared that she recommended the working group use something similar to the language in the Los Angeles County Sustainability Plan. She noted that the definition essentially identifies frontline communities that have been left behind in the work of mitigating climate changes in many cases and those who have left out of improvements in built environments and natural environments as a result of systemic, structural issues like racism. She recommends these be central components in defining vulnerable communities.

Deputy Commissioner Peterson voiced that he appreciated Member Pawling's comments. He identified that another suggestion was raised at a previous meeting, which is to incorporate the "vulnerable populations" definition used by the Governor's Office of Planning and Research ("OPR") as that is already used in a statewide context.

Member Pawling agreed that, given the complex nature of the idea, it may be easier to reference an established definition.

Deputy Commissioner Peterson indicated that he is happy to insert OPR's definition into the report but would first like to hear if any other members of the working group wish to offer input so that the working group arrives at an agreed upon definition.

Chair Hill recommended that the report include the definition that is widely used within California's state government but suggested it also include a note referencing the Los Angeles County's definition. This is an area that merits further discussion as knowledge is developing on which communities face the great vulnerability where climate change and insurance meet. She identified that this area could be further refined as we moved forward.

Member Pawling stated that she appreciates that and recognized that it is an evolving issue; her office debates whether the term "vulnerable" is even the right language to use.

Chair Hill agreed, stating everyone is learning and the agreed upon approach will reflect this is an iterative process, and thanked Member Pawling for her comments.

Member Blumberg raised that the definition that Deputy Commissioner Peterson referenced earlier was put into California's Public Resources Code last year through SB 1320 in the State Legislature, so the reference can be to that specific code. He referenced that some of the Extreme Heat Subgroup's recommendations are for community-driven processes to develop strategies to address threats and argued that those communities could and should be able to define vulnerable populations as appropriate for those communities. Member Blumberg suggested a statement to that effect that also references the state's overarching definition so that local programs and project-makers are empowered to use what works in specific communities, which he thinks is consistent with what Los Angeles County is doing.

Chair Hill recognized this as an important point and agreed the working group would make revisions on this topic that reflect this conversation and point towards the existing code section..

Member Sowers shared that she is grateful for the opportunity to learn from the working group. She referenced Commissioner Lara's earlier remarks and seconded the rejection of a future that separates the wealthy from the rest, which is the core message of this report. Even when that is not explicitly stated, she hopes that the takeaway is to start with trying to solve the needs of marginalized individuals. She asserted it is essential to get at the heart of what those needs are, especially when it comes to protection gaps that exist around severe events. Member Sowers finds it critical to start with the margins and move toward the center. Her hope is that the report will be a living document that evolves with lessons learned as general understanding of the impacts of climate changes, particularly in the health space, is in its nascent stages. She argues that there is a need for continued learning to incorporate developing aspects and that this ongoing element should be distinguished.

Members Sowers identified that there are many dimensions to be explored in learning about climate change impacts to health, including impacts to infrastructure or the healthcare system as a whole as well as impacts to individuals; there is a need for collective action. She emphasized the critical importance of continuously seeking to learn, even when it may appear there is no protection gap. Member Sowers recognized the significant expertise of the working group

members and underscored her hope that, given the critical importance of the coming years, the working group takes a very action-oriented approach that pilots, learns, and uses lessons learned to adjust pilot approaches and identify how to best prepare the state of California, the rest of the country, and society in general, for the long-term impacts of climate change.

Chair Hill thanked Member Sowers for her powerful comments and agreed the report should be viewed as one step in a continuing process and expressed enthusiasm at having the working group's ideas put down in writing. She indicated Member Sower's points regarding climate change impacts to health are very well taken and that the impacts of things like extreme heat wildfire smoke are underestimated. Chair Hill noted that the working group initially focused on three perils with this report and acknowledged that there may now be need to examine other ways that climate change can cut across sectors and impact deeply, particularly in the areas of healthcare delivery and public health.

Chair Hill turned to Member Blumberg for additional comment.

Member Blumberg indicated that he would like to recommend additional edits. The first recommendation is to create a role for the insurance industry in several recommendations to increase the likelihood of uptake. Specifically, he suggested including the insurance industry, insurance trade associations and the National Association of Insurance Commissioners ("NAIC") in the recommendation to conduct backcasting analysis as he thinks that it would provide valuable information given their role in collecting information from different states and jurisdictions. Similarly, he thinks the recommendation to evaluate existing coverage that could be adapted, or could be used for heat would also benefit from partnering with industry as they have a clear vested interest in understanding those findings. Finally, Member Blumberg also sees a clear role for the insurance industry in the risk pool recommendation.

Commissioner Lara indicated the NAIC should be included in adding roles for any additional parties.

Member Blumberg agreed with that the NAIC, especially their relevant task force, would be a key partner in those recommendations. He identified that there are several other recommendations that would benefit from adding additional categories or roles, such as local government and nongovernmental organizations ("NGOs"). Member Blumberg indicated he could submit those recommendations in writing and wanted to review his suggestions with the group today, and sees them as small but valuable changes.

These include:

- Adding stakeholders, including local governments, NGOs, and insurance companies to the list of groups to engage with in Heat Recommendation #1, #4, and #7.

Chair Hill agreed that Member Blumberg's suggestions could lead to impactful changes and the working group will make some minor revisions to develop and refine the report. She thanked him for sharing his ideas and asked for any additional comments.

Member Passero commented that she thinks the report is terrific and has appreciated being a part of the process. She indicated that, in the last wildfire discussion, the combining of two recommendation areas was proposed: Community Insurance and Community Insurance with

Nature-based Solutions. Member Passero expects this adjustment to focus the recommendation. She believes Member Vinukollu is interested in trying to help craft the language.

Deputy Commissioner Peterson noted this suggestion and will make those changes.

Chair Hill indicated this suggestion deserved examination and appreciated the need to combine recommendations for clarity where appropriate in the draft. Chair Hill then asked for any remaining comments.

Member Vinukollu echoed the preceding comments commending the report and shared that he's found it a pleasure to work with everyone in the group. He underscored the quality of the recommendations the report contains. He'd like to second what Member Passero mentioned regarding combining the sections on Community Insurance and Nature-based Solutions, where risk mitigation can be very impactful, and that this should be a consistent message throughout the draft.

Member Vinukollu identified Community Insurance as a great idea that incorporates the approach of underwriting a single property to underwriting a community because community-level mitigation is now well understood and important to this report. When the group discusses mitigation, it is with the knowledge that nature-based solutions play a critical role. To that end, it is worth considering how projects such as wetland restoration can play a crucial role in reducing flood risk but also act as wildfire buffer zones. In other words, how can different approaches both reduce risk and increase the benefits of home-hardening? Member Vinukollu finds that by combining Community Insurance and Nature-based Solutions, potential benefits begin to emerge, especially in the context of California wildfire risk, but that this should also be a consideration in other perils.

Chair Hill thanked Member Vinukollu for his wonderful points, noting that the working group should attend to this suggestion from Member Passero and Member Vinukollu as she agrees regarding the great opportunity for creative thinking when it comes to how California, communities, and nature-based solutions can work together with insurance. This also makes the report more clear and highlights the fundamental importance of community mitigation.

Chair Hill asked for any additional comments from the working group before turning to public comment. There were none.

Deputy Commissioner Peterson repeated his earlier remarks, reminding the public that any interested person could participate in the meeting by clicking the "Raise Hand" feature in the webinar controls to indicate they wish to speak. He reviewed that telephonic attendees should email climatechange@insurance.ca.gov and provide their name and the phone number they are using to attend the meeting. There were no public comments.

B. Decision to finalize recommendations

Chair Hill then turned to the agenda's next sub-item, the decision to finalize the recommendations.

Chair Hill recommended that the working group ask the Department to incorporate the comments that have been made by members of the working group and then move forward with finalizing the report. She asked if there were any objections to that approach and noted that the working group has clearly indicated this is an iterative process. The report reflects the best understanding of the working group's intentions. In their further work, the working group may amend and refine as more is learned and complexities are appreciated. The intention is to make the discussed changes, strive for clear communication, and move forward with alacrity to publish the final document. Chair Hill asked if there was any comment on this approach.

There were no comments from the working group.

Chair Hill asked to check for any public comment.

Deputy Commissioner Peterson repeated his earlier instructions regarding how attendees may make public comment. There were no public comments.

IV. Communications opportunities and priorities

Chair Hill turned to the last agenda item, the communication of the recommendations. She reviewed that the working group would like the document to engender conversations across California and the United States as the working group comes to grips with the role it hopes insurance will play, understanding the risk that insurance may not be available exactly when it is needed.

Chair Hill encouraged each member of the working group to consider ways they can communicate the report through their different networks, which would reach more people and generate further interest. She noted the submission of a proposal for the working group to write a two-page summary to facilitate accessible communication of the document, to be translated into multiple languages, and asked that the Department undertake that task.

Deputy Commissioner Peterson noted that he would draft such a summary to reflect the major themes.

Chair Hill asked for any further comments or ideas from the group ways to communicate the report.

There were no comments from the working group.

Chair Hill asked to check for any public comment.

Deputy Commissioner Peterson repeated his earlier instructions regarding how attendees may make public comment. There were no public comments.

Chair Hill shared that, before she turns the conclusion of the meeting over to Commissioner Lara, she wanted to express thanks to the working group and indicated that she has learned a great deal from each member. Chair Hill went on to thank Vice-Chair Carolyn Kousky and the chairs of each of the subgroups for their time, work, creativity and ingenuity, all of which were given with good humor. She also thanked the writing team for their invaluable work putting ideas down

in writing; without the writing team, She again thanked Commissioner Lara for inspiring the working group, for urging them on, and for providing the opportunity to think deeply about what insurance and risk reduction means with regards to climate change and how a better future might be had.

Chair Hill turned the meeting over to Commissioner Lara.

Commissioner Lara reiterated how this is a reality check for resilience in the state of California. He thanked the working group for their recommendations and noted that he wholeheartedly endorses them. He looks forward to getting to getting to work once the report is finalized. Commissioner Lara recognizes that the working group has done the heavy lifting and it will soon be his role to turn their work into reality. He referenced his earlier remarks, emphasizing that California excels in new and creative spaces. Where California goes, so goes the rest of the nation and the world, so it is time to meet in this innovative space again. He congratulated the working group on their excellent, deliberative work and shared how proud he is of what they have created.

Chair Hill wished the working group well and indicated that she would be in touch regarding when the next meeting will be held.

DRAFT