

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
300 Capitol Mall, 17th Floor
Sacramento, CA 95814**

WORKSHOP TEXT OF REGULATION

LONG-TERM SOLVENCY PLANNING

October 28, 2025

REG-2025-00025

Title 10. Investment
Chapter 5. Insurance Commissioner
Subchapter 3. Insurers

Add: Article 4.7. Additional Capital

Adopt: Section 2319.7. Documenting Long-term Solvency Planning and Capital Needs Analyses.

- (a) Domestic insurers (each an “insurer” hereinafter) shall, as a means of documenting their efforts pursuant to Subdivision (d) of Insurance Code section 739.2, assemble and make available to examiners their analysis of their long-term additional capital needs as set forth in this Section 2319.7.
- (b) The insurer shall maintain and keep current a portfolio of any data in its possession on risk mitigation technologies used by its policyholders. The portfolio shall also contain any analyses the insurer has undertaken of the past and anticipated long-term future performance of those technologies or strategies.
- (c) An insurer that, in the calendar year immediately preceding the current calendar year, writes direct annual premium in the United States, across all lines of insurance, exceeding

fifty million dollars (\$50,000,000) shall, in addition to the materials described in Subdivision (b) of this section, maintain and keep current the following:

(1) Materiality assessment of emerging risks.

The materiality assessment shall include documentation of risks and opportunities that could reasonably be expected to affect the insurer's underwriting, investments, or operations; the materiality assessment shall address:

- (A) Risks and opportunities associated with emerging issues related to technology and innovation, including:
 - 1. The growth in scale and complexity of large datasets and data processing,
 - 2. Data quality and data security, and
 - 3. Cyber security,
- (B) Climate-related physical risks, such as:
 - 1. Acute risks related to changes in extreme weather patterns, and
 - 2. Chronic or compounding risks related to long-term market changes whose impacts may be slow-onset but become more pronounced ten to twenty-five (10-25) years into the future, such as sea-level rise, shifts in land use, and changes in water availability, farmland productivity, and temperature fluctuations and extremes,
- (C) Transition risks and opportunities related to economic transitions and disruptions in access to capital, proceeding from reduced reliance on greenhouse-gas-emitting technologies and resulting changes in population behaviors, such as:
 - 1. Technological risks including those related to the emergence and expansion of new technologies and shifts in use of existing technologies, and
 - 2. Risks related to future government actions, and
- (D) Any other risks whose volatility is likely to increase over a period of twenty (20) years, such as risks associated with anticipated changes in technology, regional and global economic trends, or litigation risks, that could disrupt access to capital; and

(2) Analysis of material risks; risk mitigation strategies.

The insurer shall document both its analyses of those risks the insurer determines to be material risks pursuant to Subdivision (c)(1) of this section and its risk mitigation strategies in response to those risks, which analyses and strategies shall include projections for 2030, 2040 and 2050; this documentation shall include:

- (A) The insurer's material risks of disruption associated with emerging issues related to technology and innovation, including:
 - 1. The growth in scale and complexity of large datasets and data processing,
 - 2. Data quality and data security, and
 - 3. Cyber security,
- (B) The insurer's material climate-related risks of disruption, and results of stress testing of forward-looking climate risk scenarios, spanning time horizons through 2030, 2040 and 2050, including any of the following in the insurer's possession:
 - 1. The insurer's assessment of its resilience to its material risks,
 - 2. The reasons why specific scenarios were chosen, the scope of the insurer's assessment in this regard, any sensitivity analysis of the factors underlying the assessment, and areas of uncertainty in the assessment,
 - 3. The implications of the insurer's assessment for its forward-looking strategies, including information on how the insurer would respond to the effects identified, and
 - 4. The insurer's capacity to adjust or adapt its strategy to climate impacts and other future impacts in the short, medium and long term, and
 - 5. The results of any analysis of the concentration of and overall exposure of the insurer's investments to catastrophic events, such as extreme temperatures, severe convective storms, atmospheric rivers, flooding, earthquake, coastal storm surge, landslides and hurricanes, and
- (C) Long-term investment strategy targets that relate to the risk scenarios identified pursuant to Subdivisions (c)(1)(A) and (c)(1)(B) of this section,

and performance metrics corresponding to each such target, including specific details on:

1. How specific targets were determined, and the metrics that were used to establish each target, including the base period from which progress is being or will be measured,
2. The insurer's approach to measurement of progress towards the targets and interim checkpoints, including the metrics measured and standard methodologies for measurement,
3. The insurer's plan for achieving the targets and its current progress towards achieving, or its current performance as compared to, the targets, and
4. Any international or internal standards that align with the target, methodologies, or performance metrics, and

(D) A description of how the insurer will identify and approach financial analysis of existing and future opportunities for development of:

1. New insurance products for emerging technologies, including products that address:
 - a. low- or zero-greenhouse-gas-emissions residential, commercial, or transportation infrastructure,
 - b. natural infrastructure, and
 - c. risks peculiar to California's unique ecosystems and environments, and
2. Technical competencies in analysis of climate risk and technology risk, including descriptions of:
 - a. whether, and the extent to which, such competencies are to be developed within the insurer or are to be procured from outside entities, in which case the description shall identify each such outside entity, and
 - b. how such analysis informs future capital needs.

NOTE: Authority cited: Section 739.9, Insurance Code. Reference: Sections 739.2 and 739.9, Insurance Code.