

November 14, 2025

Honorable Ricardo Lara
Commissioner
California Department of Insurance
300 Capitol Mall, Suite 1700
Sacramento, CA 95814

**Re: Comment Letter in Support of Proposed Long-Term Solvency Planning Regulation
(Section 2319.7, REG-2025-00025)**

Dear Commissioner Lara:

Ceres respectfully submits this comment letter in strong support of this proposed regulation, which would require California's domestic to develop and submit transition plans to manage climate-related and other financial risks. As a nonprofit organization working with the world's most influential capital market leaders to address pressing sustainability challenges, Ceres has collaborated extensively with insurance regulators and insurers to advance climate risk management practices across the sector for many years. We commend California's continued leadership in confronting the climate-related challenges facing the insurance industry and respectfully urge the Department to adopt this critical regulation.

Executive Summary

California's insurance market stands at a critical inflection point. The January 2025 Los Angeles wildfires alone generated estimated insured losses between \$25 billion and \$40 billion, with total economic damages potentially reaching \$275 billion.¹ These catastrophic events represent not isolated incidents but rather harbingers of California's climate future. The State (and the nation) is seeing challenges with Affordability and availability of insurance for the residential market. This is a reality demanding comprehensive, forward-looking risk management framework that extends beyond traditional actuarial approaches to encompass strategic risk and transition planning.

¹ Milliman, "Industry insured losses for Los Angeles wildfires," February 2025, <https://www.milliman.com/en/insight/industry-insured-losses-for-los-angeles-wildfires>; Merlin Law Group, "California Fire Insurance Crisis: Why Insurers Are Cancelling Policies and How Homeowners Can Respond," October 2025, <https://www.merlinlawgroup.com/insurance-companies-cancel-fire-insurance/>

The proposed regulation would establish a prudent requirement for California's domestic insurers writing direct annual premium exceeding \$50 million across all lines of insurance to develop long-term solvency plans (which align with internationally-recognized transition plans), utilizing a strategic framework specifically designed to manage financial risks arising from both the increased frequency and severity of weather-related events and the broader economic transition to a low-carbon economy. While the regulation appropriately frames this as “documenting long-term solvency planning and capital needs analysis” under Section 2319.7, it aligns with internationally recognized transition plan frameworks already being implemented across multiple sectors globally, including recent guidance from the United Nations Environment Programme’s Forum for Insurance Transition to Net Zero (UN FIT), which provides the first comprehensive, insurance-specific transition plan framework.² This rule directly advances the Department’s statutory mandate under Insurance Code §§ 739.2 to ensure the solvency of California insurers by requiring forward-looking identification and management of material financial risks, including those arising from technological and environmental change.

Ceres’ support for this regulation rests on several fundamental observations about the current state of California’s insurance market and the global evolution of climate risk management. First, carriers representing approximately 85% of the U.S. insurance market already submit Task Force on Climate-related Financial Disclosures (TCFD) reports.³ These reports provide substantial groundwork for transition and long-term solvency planning and means the analytical infrastructure for this requirement largely exists. Second, California’s insurance crisis has reached acute proportions, with the California FAIR Plan expanding to 646,000 policies as of September 2025⁴ while major carriers simultaneously withdraw from high-risk markets, creating a dangerous spiral of reduced coverage availability and increased systemic fragility. Third, transition plans represent not merely a compliance exercise but rather an essential evolution in how insurers conceptualize and manage climate risk, moving from reactive loss assessment to proactive strategic positioning. Fourth, a growing number of companies in other sectors and institutional investors are producing and publishing climate risk and opportunity transitions plans. Fifth, transition

² UNEP FI, “Closing the Gap: The emerging global agenda of transition plans and the need for insurance-specific guidance,” November 2024, <https://www.unepfi.org/industries/insurance/transition-plan-guide/>; UNEP FI, “Underwriting the Transition: A deep-dive transition plan guide for insurance and reinsurance underwriting portfolios,” July 2025, <https://www.unepfi.org/industries/insurance/underwriting-the-transition-a-deep-dive-transition-plan-guide-for-insurance-and-reinsurance-underwriting-portfolios/>.

³ Ceres, “2025 Progress Report: Climate Risk Reporting in the U.S. Insurance Sector,” 2025, <https://www.ceres.org/resources/reports/2025-progress-report-climate-risk-reporting-in-the-us-insurance-sector>.

⁴ E&E News by POLITICO, “Insurers flee wildfire-prone California despite state assistance,” October 28, 2025, <https://www.eenews.net/articles/insurers-flee-wildfire-prone-california-despite-state-assistance/>

plans are a critical tool being used by a growing number of countries. California also has the opportunity to establish itself as a national leader in requiring comprehensive climate risk management (as it has in other areas), setting a precedent that other states will likely follow as climate and other risk impacts intensify across the nation.

Ceres offers several recommendations to support successful implementation and maximize the benefits of long-term solvency planning requirements:

- Implementation timelines carefully coordinated with existing TCFD reporting cycles
- The California Department of Insurance should consider developing templates, practical guidance documents, case studies illustrating effective approaches, and training resources that help smaller carriers navigate the transition planning process effectively
- Long-term solvency plans should be publicly disclosed to provide transparency to policyholders, investors, and other stakeholders regarding how insurers are managing climate risks
- Long-term solvency planning requirements should be carefully coordinated with California's Sustainable Insurance Strategy
- Long-term solvency planning must be conceived as living documents requiring periodic updates

Collectively, these recommendations underscore the proposed regulation's alignment with evolving global best practices in emerging risks management while recognizing the practical implementation needs of California's diverse insurance market. The following sections elaborate on the policy foundation, international precedent, and technical frameworks supporting this approach.

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The Proposed Regulation: Comprehensive Long-Term Solvency Planning

The proposed Section 2319.7 establishes a thoughtful, risk-based framework for long-term solvency planning that directly addresses the climate and technology risks threatening California’s insurance market. The regulation applies to domestic insurers writing direct annual premium exceeding \$50 million across all lines of business; a threshold that appropriately focuses requirements on carriers with substantial market presence while avoiding disproportionate burden on smaller insurers. By limiting the requirement to insurers with significant market share and by building on existing TCFD reporting systems, the regulation achieves meaningful oversight improvements with minimal incremental cost.

The regulation requires insurers to maintain and keep current a materiality assessment of emerging risks, including: 1) technology and innovation risks related to large datasets, data processing, data quality, data security, and cybersecurity; 2) climate-related physical risks, both acute risks from extreme weather patterns and chronic risks from long-term market changes such as sea-level rise, shifts in land use, and changes in water availability and agricultural productivity; 3) transition risks related to economic transitions and disruptions proceeding from reduced reliance on greenhouse-gas-emitting technologies; and 4) other risks whose volatility is likely to increase over a twenty-year period.

Critically, the proposed regulation requires documentation of analyses and risk mitigation strategies with projections for 2030, 2040, and 2050; time horizons that appropriately capture both near-term adaptation needs and longer-term strategic transformation. This forward-looking approach stands in stark contrast to traditional backward-looking actuarial methods that only rely on historical patterns increasingly disconnected from California’s climate future. The proposed regulation further requires stress testing⁵ of climate risk scenarios spanning these time horizons, investment strategy targets with corresponding performance metrics, and analysis of opportunities for new insurance products addressing emerging technologies and California’s unique ecosystem.

This long-term solvency planning framework mirrors what the global financial sector recognizes as “transition planning”⁶ and, indeed, the regulation represents one of the most comprehensive transition planning requirements proposed by any U.S. insurance regulator. By grounding these requirements in insurers’ existing TCFD reporting

⁵ There is already useful information on stress tests from the analysis completed by California, Oregon and Washington State, 2024 <https://www.insurance.ca.gov/0400-news/0100-press-releases/2024/release006-2024.cfm>.

⁶ International Transition Plan Network (ITPN) <https://itpn.global/>

infrastructure and established capital adequacy supervision, California has designed an efficient, practical approach that minimizes incremental burden while substantially enhancing regulatory oversight and market stability.

Terminology, Purpose, and the Insurance-Specific Framework

The terminology surrounding climate risk management continues to evolve as the field matures. This regulation characterizes the requirement as “documenting long-term solvency planning and capital needs analyses,” language that appropriately emphasizes the prudential regulatory aspect of the requirement. However, in broader financial discourse and international frameworks, this same concept carries the designation “transition plan.” These terms describe identical strategic frameworks: comprehensive, forward-looking approaches specifically designed to manage financial risks arising from climate and technology risk across its multiple dimensions. In the insurance context, these risks are not ideological but financial in nature as they directly affect capital adequacy, underwriting stability, and the industry’s ability to meet policyholder obligations.

Section 2319.7 operationalizes this concept with precision, requiring insurers to “assemble and make available to examiners their analysis of their long-term additional capital needs.” This regulation specifies that this analysis must include a materiality assessment addressing technology and innovation risks, climate-related physical risks (both acute and chronic), transition risks, and other volatile risks over a twenty-year period. For risks determined to be material, insurers must document both their analyses and risk mitigation strategies with projections for 2030, 2040, and 2050, the forward-looking time horizons that define transition planning globally. This structure mirrors existing transition plan frameworks: identifying material climate and transition risks, developing strategies to address those risks, and establishing measurable targets with clear timelines.

For insurance companies, transition plans must address two interconnected categories of climate-related financial risk. Physical risks encompass the direct financial impacts from extreme weather events and chronic climate changes including catastrophic wildfires, floods, droughts, and other climate-intensified perils that increasingly devastate California communities. The empirical evidence of escalating physical risk is incontrovertible: 2024 experienced 27 billion-dollar weather disasters in the United States, resulting in over \$182 billion in damages,⁷ and data from the National Oceanic and Atmospheric Administration (NOAA) documents that frequency of such billion-dollar disaster events has increased from an average of three per year in the 1980s to 27 in 2024.⁸ This acceleration in both

⁷ National Oceanic and Atmospheric Administration National Center for Environmental Information. <https://www.climate.gov/news-features/blogs/beyond-data/2024-active-year-us-billion-dollar-weather-and-climate-disasters>.

⁸ Milliman, "Industry insured losses for Los Angeles wildfires," February 2025 (citing NOAA data). <https://www.milliman.com/en/insight/industry-insured-losses-for-los-angeles-wildfires>.

frequency and severity fundamentally challenges traditional insurance risk models predicated on historical loss patterns.

Transition risks, by contrast, represent the financial implications of the global economic transition to a lower-carbon economy. For insurers, those risks primarily materialize through investment portfolios exposed to carbon-intensive assets that may face regulatory constraints, technological obsolescence, or market devaluation as economies decarbonize.⁹ The National Association of Insurance Commissioners (NAIC) recognizes that transition risks can “erode market value and increase market volatility of certain assets,”¹⁰ presenting material threats to insurers’ financial stability even absent direct physical climate impacts.

The development of insurance-specific transition plan guidance represents a critical evolution in the field. In April 2024, the United Nations Environment Programme established the Forum for Insurance Transition to Net Zero (FIT), a multistakeholder forum bringing together insurers, insurance regulators and supervisors, the scientific and academic community, civil societies, and other key stakeholders to advance insurance strategies and practices that accelerate a just transition to a resilient net-zero economy.¹¹ Nineteen insurers and reinsurers joined as founding members, including major global carriers such as Aviva, Generali, Beazley, CNP Assurances, and Fidelidade, demonstrating significant industry support for insurance -specific transition planning frameworks.¹² The FIT has produced groundbreaking guidance that addresses a significant gap in existing transition plan frameworks, which historically focused primarily on other financial sector participants without adequately accounting for insurers’ unique and dual characteristics.

The FIT’s inaugural report, “Closing the Gap: The emerging global agenda of transition plans and the need for insurance-specific guidance,” launched at the 2024 UN Climate Conference (COP 29), articulates the insurance industry’s triple role as risk managers, risk carriers, and investors in supporting a just transition.¹³ This framework recognizes that insurers occupy a unique position in the financial system as they simultaneously face climate risks through their underwriting portfolios, investment portfolios, and their operational activities. In July 2025, the FIT released “Underwriting the Transition,” providing

⁹ National Association of Insurance Commissioners (NAIC), “Transition Risk,” March 20, 2024, <https://content.naic.org/insurance-topics/transition-risk>.

¹⁰ Id.

¹¹ UNEP FI, “Forum for Insurance Transition to Net Zero,” <https://www.unepfi.org/forum-for-insurance-transition-to-net-zero/> (established April 2024).

¹² FIT founding members include: Achmea, African Risk Capacity, a.s.r., Aviva, Beazley, CNP Assurances, Co-operators, Credit Agricole Assurances, FATUM, Fidelidade, Generali, IAG, Intesa Sanpaolo Vita, NamibRe, NN Group, Odeon Insurance Re, Singapore Life, Sonepar International Re, and The Fidelis Partnership. UNEP FI, “New UN Multistakeholder Forum to Drive Progress on the Insurance Transition to Net Zero,” April 25, 2024. <https://www.unepfi.org/industries/insurance/new-un-multistakeholder-forum-to-drive-progress-on-the-insurance-transition-to-net-zero/>

¹³ UNEP FI, “Closing the Gap: The emerging global agenda of transition plans and the need for insurance-specific guidance,” <https://www.unepfi.org/industries/insurance/transition-plan-guide/> November 2024.

the first comprehensive framework for insurance and reinsurance underwriting portfolios,¹⁴ with a third deliverable addressing total balance sheet integration scheduled for release at COP30 in November 2025.

A well-constructed transition plan, or long-term solvency plan, thus enables insurers to systematically identify and assess both physical and transition climate and technology risks across their entire operations, establish measurable targets and interim milestones for risk reduction, implement specific strategies to maintain financial resilience and solvency, ensure their continued ability to serve policyholders and support community resilience, and fundamentally align their business strategies with the physical and economic realities of increasing frequency and severity of extreme weather events. By requiring this structured approach to risk management, California would establish a prudential supervisory framework that enhances insurers' capacity to weather the escalating climate and technology risks that threaten both market stability and consumer protection. Section 2319.7 requires precisely this progression by mandating "long-term investment strategy targets that relate to the risk scenarios identified" along with "performance metrics corresponding to each such target." Insurers must document how these targets were determined, their approach to measuring progress, their plans for achieving the targets, and current performance, creating the accountability mechanisms essential for credible transition planning.

The Imperative for Long-Term Solvency Planning in California's Insurance Market

California's insurance market confronts an acute crisis whose resolution demands immediate attention and proactive risk management extending beyond conventional insurance framework approaches. The market dynamics currently unfolding in California illustrate with stark clarity why long-term solvency planning, or transition plans, represent not merely regulatory compliance exercises but rather essential tools for ensuring the long-term viability of insurance in the state and protecting California's residents, communities, and broader economies.

The Escalation of Catastrophic Losses and Market Retreat

The empirical evidence documenting California insurers' rapidly increasing exposure to climate-driven catastrophic events grows more compelling with each passing year. The January 2025 Los Angeles wildfires, specifically the Palisades and Eaton fires, damaged or destroyed over 18,000 structures, resulted in 29 fatalities, and burned over 27,000 acres.¹⁵

¹⁴ UNEP FI, "Underwriting the Transition: A deep-dive transition plan guide for insurance and reinsurance underwriting portfolios," July 2, 2025, <https://www.unepfi.org/industries/insurance/un-forum-launches-first-of-its-kind-global-transition-plan-guide-for-insurance-underwriting-portfolios/>

¹⁵ Milliman, "Industry insured losses for Los Angeles wildfires," February 2025, <https://www.milliman.com/en/insight/industry-insured-losses-for-los-angeles-wildfires>.

Current estimates place insured losses between \$25.2 billion and \$39.4 billion,¹⁶ representing one of the costliest wildfire events in global history. To contextualize this scale, in the first quarter of 2025 alone, California wildfires accounted for approximately 71% of global insured disaster costs, driving total U.S. economic losses to nearly \$71 billion, the highest quarterly figure since the 1994 Northridge earthquake.¹⁷ AccuWeather's estimate of \$250-275 billion in total economic damage from these fires far exceeds insured losses, starkly illustrating the substantial protection gap that threatens California's economic recovery capacity.¹⁸

These catastrophic events do not represent statistical anomalies but rather California's emerging climate reality. From 2015 through 2024, the state experienced 14 of its most severe wildfires,¹⁹ (not including 2025) demonstrating an undeniable acceleration in both frequency and severity that fundamentally challenges insurance market stability. This acceleration directly precipitated a severe market retreat. The California FAIR Plan, intended as a temporary insurer of last resort, has experienced explosive growth to 646,000 policies as of September 2025 or nearly double the count from two years prior and representing²⁰ since 2021. Simultaneously, major carriers including State Farm, Allstate, Farmers, and Tokio Marine have either ceased writing new policies or non²¹ tens of thousands of existing policies across the state. State Farm's decision to nonrenew more than 30,000 policies²² devastating wildfires consumed that community, exemplifies the risk.

Private insurers still operating in California have imposed dramatic premium increases on homeowners who retain coverage. State Farm raised homeowners' insurance rates by 20% in March 2024, followed by an additional emergency increase of 17% approved in May 2025, effective June 1 for homeowners, 15% for renters and condominiums, and 38% for rental dwellings.²³ Allstate obtained approval for a 34.1% average rate increase in August 2024 affecting over 350,000 policyholders, with some individual homeowners experiencing

¹⁶ Id.

¹⁷ Risk & Insurance, "California Wildfires Drive \$53 Billion in Q1 2025 Insured Disaster Losses," April 17, 2025, <https://riskandinsurance.com/california-wildfires-drive-53-billion-in-q1-2025-insured-disaster-losses/>.

¹⁸ Merlin Law Group, "California Fire Insurance Crisis," October 2025 <https://www.merlinlawgroup.com/insurance-companies-cancel-fire-insurance/>.

¹⁹ Risk Strategies, "California's Proposed Insurance Reforms for 2024," 2024, <https://www.risk-strategies.com/blog/californias-proposed-insurance-reforms-for-2024>.

²⁰ E&E News, "Insurers flee wildfire-prone California," October 28, 2025, <https://www.eenews.net/articles/insurers-flee-wildfire-prone-california-despite-state-assistance/>.

²¹ CalMatters, "LA fires could worsen California's stressed insurance market," January 12, 2025, <https://calmatters.org/economy/2025/01/la-fires-california-insurance/>.

²² Euronews Green, "Natural disaster home insurance: Lessons learned from LA wildfires," January 16, 2025, <https://www.euronews.com/green/2025/01/13/la-fires-1000s-had-insurance-cancelled-in-the-months-before-the-disaster-whats-the-climate>.

²³ CalMatters, "How State Farm's emergency rate hike approval in California will affect you," May 14, 2025, <https://calmatters.org/economy/2025/05/state-farm-rate-hikes-decision/>; San Francisco Chronicle, "This map shows where State Farm's home insurance rates in California went up the most, by ZIP code," June 12, 2024, <https://www.sfchronicle.com/projects/2024/state-farm-california-rate-increases-map/>.

premium increase approaching 650%.²⁴ These increases compound broader national trends, with homeowners insurance premium rising 13% on average since 2020 when adjusted for inflation,²⁵ but California's increases far exceed the national average as insurers attempt to price escalating wildfire risk.

The California Department of Insurance estimates that 1.5 million properties are located in wildfire-distressed areas, many of which cannot secure affordable private insurance.²⁶ FAIR Plan premiums now average approximately \$3,200 and have increased by over 15% since 2022, extending severe affordability challenges for California residents desperate for coverage.²⁷ The FAIR Plan's total exposure has reached \$458 billion as of September 2024, with Pacific Palisades alone representing nearly \$6 billion in exposure; a dangerous concentration that subsequently proved catastrophic when fires devastated the community.²⁸ This market retreat leaves homeowners, businesses, and communities acutely vulnerable while threatening property values, constraining economic development, and ultimately jeopardizing California's broader economic stability.

Beyond wildfire risk, California's most immediate and visible insurance challenge, the state confronts an expanding portfolio of climate-intensified perils that compound insurers' risk exposure. In June 2024, Commissioner Lara released the nation's first comprehensive analysis documenting extreme heat's devastating impacts: nearly 460 deaths from identified extreme heat events, more than 5,000 hospitalizations, and billions in economic damages.²⁹ California also faces increasing risk from catastrophic flooding driven by atmospheric rivers, sea-level rise threatening coastal communities and infrastructure, and prolonged droughts affecting agricultural regions.³⁰ These interconnected climate risks create cascading exposures across insurers' portfolios, including physical damage to insured properties, business interruption claims, liability exposures, and investment portfolio vulnerabilities, further underscoring the critical

²⁴ San Francisco Chronicle, "Allstate approved for 34% California home insurance rate increase," August 28, 2024, <https://www.sfchronicle.com/california/article/allstate-home-insurance-rate-hike-19728352.php>;

Newsweek, "California Allows Highest Home Insurance Hike in Years," August 30, 2024, <https://www.newsweek.com/california-allows-highest-home-insurance-hike-years-1946631>.

²⁵ NPR, "How climate change is reshaping home insurance in California — and the rest of the U.S.," January 14, 2025, <https://www.npr.org/2025/01/14/nx-s1-5251632/california-fires-home-insurance-climate-change>.

²⁶ E&E News, "Insurers flee wildfire-prone California," October 28, 2025, <https://www.eenews.net/articles/insurers-flee-wildfire-prone-california-despite-state-assistance/>.

²⁷ CalMatters, "LA fires could worsen California's stressed insurance market," January 12, 2025, <https://calmatters.org/economy/2025/01/la-fires-california-insurance/>.

²⁸ Id.

²⁹ California Department of Insurance, "Commissioner Lara releases pioneering analysis on hidden costs of extreme heat in California," 2024, <https://www.insurance.ca.gov/0400-news/0100-press-releases/2024/release026-2024.cfm>; CalMatters, "Hundreds of deaths, thousands of injuries, billions of dollars: The cost of extreme heat in California," July 9, 2024, <https://calmatters.org/economy/2024/07/extreme-heat-report-insurance/>.

³⁰ PBS News, "California faces insurance crisis as homeowners lose coverage amid extreme weather," February 11, 2025, <https://www.pbs.org/newshour/show/california-faces-insurance-crisis-as-homeowners-lose-coverage-amid-extreme-weather>.

importance of comprehensive, forward-looking risk management frameworks that Section 2319.7 would establish. Long-term solvency planning enables insurers to systematically assess these compounding risks across multiple time horizons and develop integrated strategies to maintain solvency and continue serving California communities as climate impacts intensify.

Solvency Concerns and the Protection of Policyholders

Long-term solvency planning directly supports insurance regulators' fundamental mandate: ensuring insurer solvency to pay claims. The Los Angeles wildfires strained the FAIR Plan so severely that it required a \$1 billion assessment on California insurers and their policyholders- costs that are ultimately passed on to consumers statewide regardless of their geographic location or risk profile.³¹ Without substantially improved forward-looking risk management approaches, similar or larger assessments appear virtually certain as climate impacts intensify. Research by the Federal Reserve Bank of New York demonstrates that insurers with substantial exposure in high-risk states experience significant stock return declines following large natural disasters, indicating a genuine financial vulnerability that extends beyond immediate claims payments to encompass broader market confidence and capital adequacy.³²

Section 2319.7's requirement for "stress testing of forward-looking climate risk scenarios, spanning time horizons through 2030, 2040, and 2050" provides regulators with essential tools for this forward-looking supervision. The proposed regulation further requires documentation of "the insurer's assessment of its resilience to its material risks," "the reasons why specific scenarios were chosen," and "the implications of the insurer's assessment for its forward-looking strategies;" precisely the information regulators need to evaluate whether insurers are genuinely prepared for California's climate future or maintaining dangerously outdated risk models.

The NAIC recognizes that "state insurance regulators continuously monitor the capital adequacy of insurers to ensure their ability to pay claims following catastrophic events."³³ Transition plans, or long-term solvency planning, provide regulators with essential visibility into how insurers are preparing for future climate scenarios rather than merely reacting to historical patterns, enabling more effective supervision and early identification of emerging vulnerabilities before they threaten market stability or policyholder protection. This forward-looking supervisory capacity becomes increasingly crucial as climate risk accelerates beyond historical precedent, rendering traditional backward-looking risk assessment methodologies progressively inadequate.

³¹ E&E News, "Insurers flee wildfire-prone California," October 28, 2025, <https://www.eenews.net/articles/insurers-flee-wildfire-prone-california-despite-state-assistance/>.

³² Federal Reserve Bank of New York, "Physical Climate Risk and Insurers," Liberty Street Economics, April 3, 2024, <https://libertystreeteconomics.newyorkfed.org/2024/04/physical-climate-risk-and-insurers/>.

³³ NAIC, "Transition Risk," March 20, 2024, <https://content.naic.org/insurance-topics/transition-risk>.

This approach is consistent with emerging best practices among prudential supervisors globally, including European Insurance and Occupational Pensions Authority (EIOPA) climate stress-testing framework, the Bank of England's Climate Biennial Exploratory Scenario, and the Canadian Office of the Superintendent of Financial Institutions Standardized Climate Scenario Exercise.

The Gap Between Disclosure and Action

Long-term solvency planning also supports insurers' fiduciary duties to policyholders and shareholders by bridging a critical gap between climate risk disclosure and concrete action. Ceres' 2025 Progress Report on Climate Risk Reporting, which analyzes insurer responses to the NAIC's TCFD-aligned Climate Risk Disclosure Survey, determined that while progress has been made on climate disclosures, only 28% of insurers disclosed across all four pillars of the TCFD framework (governance, strategy, risk management, and metrics and targets).³⁴ More troublingly, the metrics and targets pillar, which is essential for measuring actual progress toward climate resilience, continues to lag significantly, with only 29% of insurers providing meaningful disclosure in this area despite 99% disclosure rates in risk management and 97% in strategy reporting respectively.³⁵ This disconnect reveals that many insurers have developed analytical frameworks for understanding climate risk without translating that understanding into measurable commitments and concrete implementation strategies.

The proposed legislation addresses this deficiency by requiring insurers to move beyond disclosure to actionable strategy with measurable goals, clear accountability, and transparent progress tracking. The UN FIT framework explicitly emphasizes this progression, noting that credible transition plans must include specific interim milestones, science-based targets³⁶, and accountability mechanisms that enable stakeholders, including regulators, investors, and policyholders, to assess whether insurers are genuinely adapting their business models or merely documenting risks while maintaining business-as-usual approaches.³⁷

Economic Resilience and the Expanding Protection Gap

Beyond protecting individual policyholders, widespread long-term solvency planning supports broader economic resilience that extends throughout California's economy.

³⁴ Ceres, "2025 Progress Report: Climate Risk Reporting in the U.S. Insurance Sector," 2025, <https://www.ceres.org/resources/reports/2025-progress-report-climate-risk-reporting-in-the-us-insurance-sector>.

³⁵ Id.

³⁶ Science Based Targets Initiative <https://sciencebasedtargets.org/>.

³⁷ UNEP FI, "Underwriting the Transition," July 2025 (identifying key elements of credible transition plans including specific interim milestones and accountability mechanisms) <https://www.unepfi.org/industries/insurance/underwriting-the-transition-a-deep-dive-transition-plan-guide-for-insurance-and-reinsurance-underwriting-portfolios/>.

Insurance plays an essential role in enabling economic activity, e.g., facilitating mortgages, protecting businesses, supporting disaster recovery, and providing the risk transfer mechanisms that allow economic development in areas facing natural hazard exposure. The growing protection gap, or difference between economic losses from disasters and insured coverage, is projected to reach \$1.86 trillion globally in 2025.³⁸ Within the United States, approximately 8% of homeowners now forgo insurance entirely due to affordability concerns, leaving \$1.6 trillion in assets unprotected and creating profound systemic vulnerabilities.³⁹ When major disasters strike uninsured or underinsured communities, the resulting economic disruption extends far beyond direct property losses to encompass business interruption, displaced populations, strained public resources, and long-term economic stagnation in affected areas.

By requiring insurers to develop coherent and robust long-term solvency planning that explicitly address how they will maintain coverage availability, manage systemic risks, and support climate adaptation in communities they serve, California can help stabilize markets, preserve insurance availability and affordability, strengthen community resilience, and protect the state's broader economic interests against the escalating financial impacts of climate risk.

Building on Existing Foundations: The Integration with TCFD Reporting

One of the compelling arguments for Section 2319.7 rests on its integration with work insurers are already performing rather than imposing entirely new analytical burdens. The evolution from climate risk disclosure to transition and long-term solvency planning represents not a discontinuous leap but instead a natural progression in climate risk management; a progression most insurers have already begun through their participation in TCFD reporting frameworks.

The Current State of TCFD Adoption in the Insurance Sector

The Task Force on Climate-related Financial Disclosures framework, established by the Financial Stability Board in 2017, provides internationally recognized recommendations for climate-related financial disclosures organized around four foundational pillars: governance, strategy, risk management, and metrics and targets.⁴⁰ Through the leadership of 30 state insurance regulators working collaboratively through the National Association of Insurance Commissioners, carriers representing over 85% of the U.S. insurance market, or over 500 carrier groups collectively representing over 1,700 individual carriers across all lines of business, are now required to submit TCFD-aligned reports through the annual

³⁸ Ceres, "The Measurement Gap: A Deep Dive into Climate Risk Reporting in the U.S. Insurance Sector," August 2025. <https://www.ceres.org/resources/reports/the-measurement-gap-a-deep-dive-into-climate-risk-reporting-in-the-us-insurance-sector>.

³⁹ Id.

⁴⁰ Task Force on Climate-related Financial Disclosures, Recommendations of the Task Force on Climate-related Financial Disclosures (2017), <https://www.fsb-tcfd.org/>.

Climate Risk Disclosure Survey. This substantial market coverage means that the vast majority of insurers operating in California already possess the analytical infrastructure, governance frameworks, and technical expertise necessary to develop transition plans. California, as the nations' largest insurance market and the fourth largest globally, has demonstrated particular leadership in this domain since 2011, when it pioneered climate risk surveys for all licensed insurers operating in the state.⁴¹

The Natural Progression from TCFD to Transition Plans

The TCFD framework was explicitly designed to support strategic climate risk management rather than serve solely as a disclosure exercise. Each of the four TCFD pillars flows naturally into corresponding elements of transition planning, creating a coherent progression from risk identification to strategic response:

The governance pillar requires disclosure of board and management oversight of climate risks;⁴² transition plans operationalize this governance by specifying roles, responsibilities, decision-making processes, and accountability mechanisms for executing climate strategies.

- The strategy pillar requires identification of climate risks and opportunities and their impacts on business, strategy, and financial planning;⁴³ transition plans advance this further by articulating concrete strategies, specific actions, and detailed timelines for addressing identified risks and capitalizing on identified opportunities.
- The risk management pillar requires disclosure of processes for identifying, assessing, and managing climate risks;⁴⁴ transition plans demonstrate how these processes translate into actual risk reduction through specific initiatives, investments, and business model adaptations.
- Finally, the metrics and targets pillar requires disclosure of metrics and targets used to assess climate-related risks and opportunities;⁴⁵ transition plans establish science-based targets with interim milestones, clear baseline measurements, and transparent progress tracking mechanisms, which is precisely the area where

⁴¹ NAIC, "U.S. Insurance Commissioners Endorse Internationally Recognized Climate Risk Disclosure Standard for Insurance Companies," April 2022, <https://content.naic.org/article/us-insurance-commissioners-endorse-internationally-recognized-climate-risk-disclosure-standard>.

⁴² Manifest Climate/Ceres, "Navigating Climate Risks: Progress and Challenges in U.S. Insurance Sector Disclosures," April 4, 2025, <https://www.manifestclimate.com/blog/major-us-insurers-make-progress-on-climate-disclosures-but-significant-gaps-remain/>.

⁴³ California Department of Insurance, "Climate Risk Disclosure Survey," <https://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/ClimateSurvey/>.

⁴⁴ TCFD, Recommendations (2017) <https://www.fsb-tcfd.org/recommendations/>.

⁴⁵ Id.

current TCFD disclosures most urgently need strengthening and long-term solvency planning adds the greatest incremental value.

Minimal Incremental Burden and Enhanced Value

Because most California insurers already produce TCFD reports, the analytical work necessary for developing transition plans or long-term risk plans is substantially complete. These insurers have already conducted comprehensive climate risk assessments identifying both physical and transition risks across their operations and portfolios, performed scenario analysis evaluating potential environmental futures and their financial implications, established governance structures with explicit board and management oversight of these risks, and developed initial risk metrics while beginning to track climate-related exposures across their businesses. The long-term solvency plan proposed would require insurers to take the next step, converting this substantial analytical foundation into forward-looking strategy with measurable goals, clear implementation pathways, and transparent accountability mechanisms. This progression represents a reasonable evolution that enhances the value of work already performed rather than imposing duplicative analytical requirements.

Indeed, requiring transition plans may actually enhance the value insurers derive from their existing TCFD work by transforming it from a compliance-oriented disclosure exercise to a strategic management tool that genuinely informs business decisions. Currently, many insurers produce TCFD reports that satisfy regulatory disclosure requirements without fundamentally changing business strategy, risk management practices, or capital allocation decisions. Ceres' analysis demonstrates only 29% disclosure meaningful metrics and targets, the pillar most directly tied to actual strategic implementation and behavioral change to address current and future solvency concerns.⁴⁶ A long-term solvency plan would bridge this critical gap between disclosure and action, transforming TCFD from a periodic reporting exercise into an operational framework that guides capital allocation decisions, informs underwriting and pricing strategies, shapes product development, supports engagement with reinsurers and capital markets, demonstrates to regulators and stakeholders that climate and technology risks are being actively managed rather than merely documented, and provides concrete frameworks for tracking progress and adjusting strategies as circumstances evolve.

California's Established Leadership and Institutional Capacity

California possesses both the institutional capacity and regulatory leadership necessary to implement this requirement effectively. In 2022, Commissioner Lara and the Department initiated groundbreaking work requiring insurers to disclose fossil fuel investments and

⁴⁶ Ceres, "2025 Progress Report: Climate Risk Reporting in the U.S. Insurance Sector," 2025, <https://www.ceres.org/resources/reports/2025-progress-report-climate-risk-reporting-in-the-us-insurance-sector>.

green bond holdings, providing unprecedented transparency into insurers' investment portfolios climate exposures.⁴⁷ The state's leadership in adopting TCFD-aligned reporting, developing the Sustainable Insurance Strategy to address market stability, and implementing catastrophe modeling reforms demonstrates sustained commitment and proven capacity to advance forward-looking climate risk management requirements.⁴⁸ This proposed regulation represents a natural continuation of that leadership trajectory by building systematically on California's existing regulatory infrastructure and the substantial work insurers have already undertaken while addressing the crucial gap in current practices: the absence of concrete, measurable, publicly accountable long term risk management strategies that translate risk assessment into strategic action.

State of Transition Planning in Other Sectors

There is widespread recognition across different sectors, including investors and companies, that climate-related risks are financial risks. The transition to a low-carbon economy is leading to structural transformations in the energy sector, land use, infrastructure, and industrial systems. These transformations introduce transition risks driven by policy, legal, market and technological changes. The financial implications of extreme weather events are also apparent, posing risks to supply chains, threatening property and transportation infrastructure and disrupting commodity markets. A study by S&P Global⁴⁹ revealed that for the world's largest companies, climate physical risks have a \$1.2 trillion annual price tag by the 2050s. For many investors and companies, climate-related risks are understood and assessed as part of good governance. In a 2025 report published by the Investor Agenda⁵⁰, 75% of the global investors assessed considered financial risks and opportunities that climate poses for their portfolios. The same percentage of investors implemented board-level oversight of their climate-related strategies. Transition plans then become an essential tool for laying out the entity's strategic roadmap for identifying and responding to its specific climate-related risks and opportunities. This forward-looking identification and planning process helps organizations reduce uncertainty with climate-related risks and build long-term resilience.

⁴⁷ California Department of Insurance, "Commissioner Lara holds insurance companies accountable in push for more investment in solutions to fight climate change," March 2022, <https://www.insurance.ca.gov/0400-news/0100-press-releases/2022/release028-2022.cfm>.

⁴⁸ California Department of Insurance, "The Sustainable Insurance Roadmap," <https://www.insurance.ca.gov/01-consumers/180-climate-change/The-Sustainable-Insurance-Roadmap.cfm>.

⁴⁹ S&P Global, "For the world's largest companies, climate physical risks have a \$1.2 trillion annual price tag by the 2050s," March 2025, <https://www.spglobal.com/sustainable1/en/insights/special-editorial/ceraweek-physical-risk>.

⁵⁰ Investor Agenda Global State of Investor Climate Action, 2025.
<https://theinvestoragenda.org/reports/global/investor-climate-action/>

Over the past few years, climate transition plans have moved from being a sustainability talking point to a core component of financial and strategic decision making for investors and companies. This increase in disclosure closely reflects comments made at the time by former SEC Commissioner and Vice Chair of the Global Financial Alliance for Net Zero (GFANZ), Mary Schapiro, “2023 is the year of the transition plan” after its release of the Recommendations and Guidance on Financial Institution Net Zero Transition Plans in 2022. The US Treasury released its Principles for Net Zero Financing and Investment⁵¹ in 2023, calling for financial institutions to develop transition plans and support their clients and portfolio companies in adopting their own transition plans. The Transition Plan Taskforce (“TPT”)⁵², commissioned by the UK government, also released its sector-neutral transition plan disclosure framework in the same year, calling transition plans a critical component of a firm’s business strategy. In addition, The International Sustainability Standards Board (ISSB) launched its IFRS Sustainability Disclosure Standards in 2023, with over 30 jurisdictions- representing more than half of the global GDP - adopting or taking steps towards adoption in the future.⁵³ They also published a dedicated guidance on transition plan disclosure in 2025.⁵⁴ This widespread adoption is documented across multiple sectors and investor classes.

Below are a few reports that illustrate the momentum of voluntary transition plan adoption by investors and companies around the world:

- Investor Agenda Global State of Investor Climate Action Report⁵⁵ (Nov 2025) found that 56% of the largest global investors assessed disclose transition plans or elements of their plans. 65% of investors track and disclose at least one portfolio emissions metric in their plans and 51% have adopted targets for net zero portfolio emissions by midcentury.
- Investor Agenda: Review of 230 Investors Finds that Comprehensive Climate Action Planning is Becoming Common Practice⁵⁶ (Dec 2024) found that in a review of 230 institutional investors’ climate action planning from regions across the globe,

⁵¹ U.S. Department of the Treasury, “Principles for Net Zero Financing and Investment,” September 2023, <https://home.treasury.gov/news/press-releases/jy1744>.

⁵² International Financial Reporting Standards, “Transition Plan Taskforce Disclosure Framework,” October 2023, <https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/disclosure-framework-oct-2023.pdf>.

⁵³ KPMG, “Two years in: adoption of ISSB Standards,” <https://kpmg.com/ae/en/insights/esg/adoption-of-the-issb-standards.html>.

⁵⁴ IFRS Foundation publishes guidance on disclosures about transition plans: <https://www.ifrs.org/news-and-events/news/2025/06/ifrs-publishes-guidance-disclosures-transition-plans/>.

⁵⁵ The Investor Agenda, “Global State of Investor Climate Action,” November 2025, <https://theinvestoragenda.org/reports/global/investor-climate-action/>.

⁵⁶ The Investor Agenda, “Review of 230 Investors Finds that Comprehensive Climate Action Planning is Becoming Common Practice,” December 2024, <https://theinvestoragenda.org/blog/review-of-230-investors-finds-icaps-are-becoming-common-practice/>.

including North America, Asia and Oceania, overall, climate transition plans are becoming common practice, with increasing numbers of investors voluntarily developing climate transition plans.

- Ceres: Investor Climate Action Plans are Becoming a Norm⁵⁷ (Aug 2024) reveals that most of the top North American investors have net zero commitments and elements of climate action plans in place to meet those goals, providing insight into how major investors are addressing the risks and opportunities of climate change.
- CDP: The State of Play: 2023 Climate Transition Plan Disclosures⁵⁸ (Jun 2024), the world's largest environmental disclosure system, which added low-carbon transition planning questions to its climate change questionnaire in 2018⁵⁹, reported that in 2023 over 1 in 4 companies (5,906) had disclosed that they had a 1.5°C-aligned climate transition plan in place – an increase of 44% when compared to 2022.
- Every respondent of a 2025 Natixis CIB survey of European investors⁶⁰, representing more than €8.5 trillion in assets under management, indicated that they expect investee companies to develop transition plans and 85% of respondents indicated that they use transition plans to engage in dialogue with portfolio companies.

Leading investors and companies have published transition plans, ensuring clients that their business is managed responsibly and with foresight:

- Investor Agenda Investor Climate Action Plans (ICAPs) Case Studies⁶¹ highlights investor examples of transition plans including those from: California Public Employees' Retirement System, California State Teacher's Retirement System, San Francisco Employees' Retirement System, and the New York State Common Retirement Fund.

⁵⁷ Ceres, "Investor Climate Action Plans are Becoming a Norm," August 2024, <https://www.ceres.org/resources/reports/investor-climate-action-plans-are-becoming-a-norm>.

⁵⁸ CDP, "The State of Play: 2023: Climate Transition Plan Disclosure," June 2024, https://cdn.cdp.net/cdp-production/cms/reports/documents/000/007/783/original/CDP_Climate_Transition_Plans_2024.pdf?1720436354.

⁵⁹ CDP, "CDP Climate Change 2018 Reporting Guidance," 2018, <https://guidance.cdp.net/en/guidance?cid=2&ctype=theme&idtype=ThemeID&incchild=1%C2%B5site=0&otype=Guidance&tags=TAG-646%2CTAG-605%2CTAG-599&utm>.

⁶⁰ Natixis, "Investors' Take on Transition Planning," October 2025, <https://home.cib.natixis.com/investors-take-on-transition-planning>.

⁶¹ The Investor Agenda, "Case Studies," November 2024, <https://theinvestoragenda.org/case-studies/>.

- Ceres: Blueprint for Leading Climate Transition Plans⁶² highlights leading corporate climate transition plans from: Unilever PLC⁶³, National Grid⁶⁴, General Mills⁶⁵, Mars Inc.⁶⁶, Ball Corp.⁶⁷, and HSBC Holding⁶⁸.
- The International Transition Plan Network's (ITPN) Private Sector Transition Plans: A Critical Tool for Mobilising Finance report (November 2025) highlights examples of corporate climate transition plans from: ASM, Holcim, JSW Steel, and ABB.⁶⁹

Sector-specific transition planning guidance and examples have also contributed to the adoption of transition plans.

- The TPT Sector Summary⁷⁰ (April 2024) provides a high-level overview of decarbonization levers and metrics & targets for an extensive number of financial and real economy sectors
- Ceres: Climate Transition Plans in the U.S. Food Sector, Addressing Risks to Farmers and Farmworkers⁷¹ (January 2023) outlines the business case for ensuring that the climate transition in the food and agricultural sector is fair and equitable for farmers and farmworkers.
- ITPN: Sector Transition Plans (2025) explores the opportunity for policymakers to co-create jurisdiction specific Sector Transition Plans (STPs) in collaboration with

⁶² Ceres, “Blueprint for Implementing a Leading Climate Transition Action Plan,” June 2024, <https://www.ceres.org/resources/reports/blueprint-for-implementing-a-leading-climate-transition-action-plan>.

⁶³ Unilever, “Climate Transition Action Plan,” March 2021, <https://assets.unilever.com/files/92ui5egz/production/bbe89d14aa9e0121dd3a2b9721bbfd3bef57b8d3.pdf/unilever-climate-transition-action-plan-19032021.pdf>.

⁶⁴ National Grid, “Reaching Real Zero- Our Climate Transition Plan,” 2022, <https://www.nationalgrid.com/document/146726/download#:~:text=Through%20the%20actions%20outline,d%20within,external%20offsets%20to%20get%20there>.

⁶⁵ General Mills, “Environmental Impact,” <https://www.generalmills.com/how-we-make-it/healthier-planet/environmental-impact>.

⁶⁶ Mars Inc., “Net Zero Roadmap,” September 2023, https://www.mars.com/sites/g/files/dfsbufz106/files/2023-09/Mars%20Net%20Zero%20Roadmap%202050_2.pdf.

⁶⁷ Ball Corp., “Accelerating Action to Limit Global Temperature Rise to 1.5°C,” March 2023, <https://www.ball.com/getmedia/c40fe912-662a-4ce1-9cef-e1c3f96822a0/Ball-Climate-Transition-Plan-FINAL-March-2023.pdf>.

⁶⁸ HSBC Holding, “Net Zero Transition Plan 2025,” November 2025, <https://www.hsbc.com/-/files/hsbc/who-we-are/pdf/240123-our-net-zero-transition-plan.pdf>.

⁶⁹ ITPN, “Private Sector Transition Plans: A Critical Tool for Mobilising Finance,” November 2025, <https://itpn.global/wp-content/uploads/2025/11/Private-Sector-Transition-Plans-A-Critical-Tool-for-Mobilising-Finance.pdf>.

⁷⁰ Transition Plan Taskforce, “Sector Summary,” April 2025, <https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/sector-summary-apr-2024.pdf>.

⁷¹ Ceres, “Climate Transition Plans in the U.S. Food Sector: Addressing Risks to Farmers and Farmworkers,” January 2023, <https://www.ceres.org/resources/reports/climate-transition-plans-us-food-sector>.

companies, financial institutions, civil society, trade unions, and local communities.⁷²

Investors and companies that have developed transition plans are drawing from leading international transition planning standards and implementation guidance that are available including:

- Investor Climate Action Plans (ICAPs) Expectations Ladder⁷³ provides investors with clear expectations for issuing and implementing comprehensive climate action plans in four key areas: investment, corporate engagement, policy advocacy, and investor disclosure. Governance is a cross-cutting theme across all four areas.
- Net Zero Investment Framework⁷⁴ is a framework for investors to set targets and produce related net zero strategies and transition plans.
- IFRS S2 Climate-related Disclosures⁷⁵ and Transition Plan Disclosure Guidance⁷⁶ which enables entities to provide information about their climate-related transition and covers disclosures about any ‘transition plan’ an entity has, including both mitigation and adaptation efforts.
- TPT Asset Owner⁷⁷ and Asset Manager⁷⁸ Sector Guidance
- Ceres Blueprint for Leading Climate Transition Plans⁷⁹ recognizes the advancing global ecosystem for transition plans and provides companies with specific action steps that they could take to enhance existing disclosure practices and create leading transition plans.

⁷² ITPN: Sector Transition Plans: A bridge between national ambition and company transition plans: <https://itpn.global/wp-content/uploads/2025/11/Sector-Transition-Plans-A-bridge-between-national-ambition-and-company-transition-plans.pdf>

⁷³ The Investor Agenda, “ICAPS Expectations Ladder,” July 2023, <https://theinvestoragenda.org/wp-content/uploads/2021/05/expectations-ladder.pdf>.

⁷⁴ Paris Aligned Asset Owners, “Net Zero Investment Framework,” <https://www.parisalignedassetowners.org/net-zero-investment-framework/>.

⁷⁵ IFRS, “IFRS S2 Climate-related disclosures,” 2023, <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/>.

⁷⁶ IFRS, “Disclosing information about an entity’s climate-related transition, including information about transition plans, in accordance with IFRS S2,” June 2025, <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/transition-plan-disclosure-s2.pdf>.

⁷⁷ TPT, “Asset Owners Sector Guidance,” April 2024, <https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/asset-owners-sector-guidance-apr-2024.pdf>.

⁷⁸ TPT, “Asset Managers Sector Guidance,” April 2024, <https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/asset-managers-sector-guidance-apr-2024.pdf>.

⁷⁹ Ceres, “Blueprint for Implementing a Leading Climate Transition Action Plan,” June 2024, <https://www.ceres.org/resources/reports/blueprint-for-implementing-a-leading-climate-transition-action-plan>.

- CDP’s Reporting on Climate Transition Plans Technical Note⁸⁰ provides guidance, aligned with the disclosure requirements of leading transition plan frameworks, on how organizations disclosing through CDP can demonstrate that they have a credible climate transition plan in place.
- Global Financial Alliance for Net Zero Transition Plans⁸¹ provides financial institutions with background on potential avenues for meeting net zero commitments intended to address the financial and economic risks and opportunities posed by climate change and the transitions that would be necessary to mitigate those risks.
- GRI’s Disclosure Standard 102-1 – Transition Plan for Climate Change Mitigation⁸², which will become effective for reporting periods starting January 1, 2027, includes a requirement that organizations disclose their climate transition plans, including targets and alignment with a 1.5°C pathway or science-based climate goals.
- The Transition Plan Content Index⁸³, developed in 2024 by a coalition of NGOs including C2ES, BSR, Ceres, the Environmental Defense Fund (EDF), provides a real economy-focused and financial institution-focused disclosure tool to enhance the transparency, comparability, and credibility of corporate transition plans.

Importantly, multiple transition plan reporting frameworks have converged on the following key elements that should be included in a credible transition plan:

- *Strategic Ambition*: Description of the covered entity’s (a) climate-related risks (which may include transition, physical, and litigation risk), (b) objectives and priorities for decarbonizing and enhancing resilience to its climate-related risks; and (c) alignment with the economy-wide transition and New York’s greenhouse gas reduction goals that is science-based. Also include key assumptions and sources of scenarios or projections used to adopt those assumptions, external dependencies, and high-level implications of the plan for the covered entity’s business model and value chain.

⁸⁰ CDP, “Reporting on Climate Transition Plans”, February 2022, https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/101/original/CDP_technical_note_-_Climate_transition_plans.pdf.

⁸¹ GFANZ, “Financial Institution Net-zero Transition Plans,” November 22, <https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf>.

⁸² GRI, “GRI 102: Climate Change 2025,” 2025, https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwiT99z6yNuQAxUhSZA_BHZQPMX0QFnoECAQQAQ&url=https%3A%2F%2Fglobalreporting.org%2Fpdf.ashx%3Fid%3D29514&usg=AOvVaw0Pp99QrMcO80xnRJ4oGiQo&opi=89978449.

⁸³ C2ES, “Transition Plan Context Index,” 2024, <https://www.c2es.org/corporate-net-zero-transition-planning/transition-plan-content-index/>.

- **Implementation Strategy:** Key time-bound actions with supporting KPI's that the covered entity is taking within its business operations, products and services, supply chain, resource allocation strategy and policies to achieve its strategic ambition, as well as the resulting operational and financial implications
- **Engagement Strategy:** How the covered entity's value chain, investors, industry peers, government and civil society are engaged with to achieve its strategic ambition
- **Science-based Metrics and Targets:** How the covered entity uses science-based metrics and targets to drive and monitor progress towards its strategic ambition
- **Governance:** Description of how the transition plan is embedded within the covered entity's governance structures and organizational management. This generally includes an assessment and identification of the board- and management-level skills and competencies needed to oversee the covered entity's transition plan and the accountability and feedback mechanisms that the covered entity has in place to ensure proper implementation.

Regulatory mandates are emerging on transition plans given its strategic importance for governments, financial institutions and companies to plan for climate-related risks (see *section on "International Regulatory Landscape" below*).

Whether through voluntary or regulatory adoption of transition plans, investors and companies benefit from them in several ways including:

- Having an actionable roadmap that identifies and responds to climate-related risks and opportunities
- Demonstrating a commitment to meeting the investor's fiduciary duties, ensuring clients that their investments are managed responsibly and with foresight.
- Sending a signal to investors, suppliers, clients and investees about the depth of their commitment, specific expectations and supportive engagement strategies.
- Creating an opportunity for full organizational buy-in and internal strategy alignment on corporate climate action.
- Providing time-bound and forward-looking strategic information to investors, lenders, and other stakeholders that can open financing for transition activities.

For policymakers and regulators, transition plans can provide forward looking information on investor and corporate climate strategies and serve as essential tools for scaling the state's mitigation and adaptation activities. These plans address the information gaps that

have historically limited capital flows to where targeted investments are needed to effectively transition to a climate resilient global economy.⁸⁴

International Regulatory Landscape

Developments in the international regulatory landscape provide strong support for the proposed regulation. Many countries are or will soon require companies with a transition plan in place to disclose information about it. Some countries are working to make transition planning a mandatory practice. California will become a global leader on this critical topic by being among the first to require insurers to both consider the long-term solvency risks of climate change and disclose information about those risks.

United Kingdom: Transition Plan Taskforce framework and planned requirements

The UK took a leadership role on transition planning by creating the Transition Plan Taskforce (TPT) and making progress on its plan to create a mandatory transition plan regulation. In 2021, the UK announced⁸⁵ its plan to become the world's first net zero financial center and formed the TPT to create a "gold standard" for transition plans disclosure. The TPT was active⁸⁶ from 2022 to 2024 and engaged with over 600 organizations globally. It developed a comprehensive set of materials to guide transition plan disclosures, including its Disclosure Framework⁸⁷, sectoral guidance documents, and reports.

The proposed regulation aligns with elements of the TPT Disclosure Framework, showing that the regulation will capture vital risk management information from insurers. Some examples of areas of alignment include disclosures about new products for emerging technologies, climate risk scenario planning, and long-term investment strategy targets.

In 2025, the UK government consulted⁸⁸ on how it should take forward its commitment to mandating "UK-regulated financial institutions (including banks, asset managers, pension funds and insurers) and FTSE 100 companies to develop and implement credible transition plans that align with the 1.5°C goal of the Paris Agreement". The consultation closed in September, and regulation are expected in 2026. While the shape of final regulations are not yet clear, the consultation did cover a range of topics including the benefits and use

⁸⁴ ITPN Private Sector Transition Plans: A Critical Tool for Mobilizing Finance: <https://itpn.global/wp-content/uploads/2025/11/Private-Sector-Transition-Plans-A-Critical-Tool-for-Mobilising-Finance.pdf>.

⁸⁵ HM Treasury, "Chancellor: UK will be the world's first net zero financial centre," November 2021, <https://www.gov.uk/government/news/chancellor-uk-will-be-the-worlds-first-net-zero-financial-centre>.

⁸⁶ ITPN, "TPT Legacy," 2022-2024, <https://itpn.global/tpt-legacy/>.

⁸⁷ TPT, "Disclosure Framework," October 2023, <https://itpn.global/disclosure-framework/>.

⁸⁸ Department for Energy Security & Net Zero, "Climate-related transition plan requirements," June 2025, <https://www.gov.uk/government/consultations/climate-related-transition-plan-requirements>.

cases of a transition plan, developing and disclosing a plan, and what guidance, support or capacity building would be most useful to support effective transition planning.⁸⁹

European Union: Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD)

The CSRD entered into force in 2023 and requires that if a covered company has a transition plan in place, they must disclose information about it, including an explanation of how the undertaking's GHG reduction targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement, key actions planned including changes in the undertaking's product and service portfolio, and other factors. The CSDDD, adopted in 2024, requires certain companies to create a transition plan, update it every 12 months and report on progress toward meeting targets. These directives would make EU nations among the first worldwide to require companies to create transition plans.

However, the CSRD and CSDDD are currently being revised, and it is impossible to predict their final form. The number of companies subject to each directive is highly likely to be reduced. Changes to the CSDDD may remove the obligation to “put into effect” the transition plan and clarify that “adoption” of a transition plan includes outlining implementing actions that have been planned and taken.

Whatever the final form of the CSRD and CSDDD, hundreds of companies, investors, and other organizations have expressed public support for robust rules that include transition plans. In October 2025, 480 organizations⁹⁰, including 134 investors and financial institutions and 88 companies, issued a statement about preserving the core of the EU sustainable finance framework, noting that the rules are beneficial to competitiveness, growth, and long-term value creation. Regarding transition plans, they wrote that the EU should “maintain a requirement under CSDDD for companies to adopt climate transition plans that include science-based targets with disclosures in line with CSRD” and noted that transition plans are “useful for mitigating their exposures to climate-related risks and can be a source of competitive advantage to develop future-proof and climate-resilient business models.” In February 2025, 162 investors representing approximately €6.6 trillion AUM, along with 49 service providers and other organizations, issued a statement calling on the European Commission “to preserve the integrity and ambition of the EU’s sustainable finance framework”, including the CSRD and CSDDD, noting that it helps

⁸⁹ See UK Government, Transition plan requirements consultation (June 2025), pp. 42-45.
<https://assets.publishing.service.gov.uk/media/685d0945c779b80d9a0e106b/transition-plan-consultation.pdf>.

⁹⁰ “Omnibus Initiative: Sustainability rules are essential for European competitiveness,” October 2025,
<https://www.eurosif.org/wp-content/uploads/2025/06/Joint-statement-Omnibus.pdf>.

investors “to manage risks, identify opportunities, and ultimately reorient capital towards a more competitive, equitable, and prosperous net-zero economy.”⁹¹

Other jurisdictions implementing transition plan requirements

The International Sustainability Standards Boards (ISSB) has created Sustainability Reporting Standards, covering climate- and sustainability-related financial information, that serve as a leading global framework designed for adoption by financial or securities regulators. The ISSB S2 Climate-related Disclosures standard⁹² (June 2023) requires a company to disclose “information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.”

Regarding transition plans, S2 requires disclosure of “any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity’s transition plan relies”. Since S2 was issued, ISSB has taken over responsibility⁹³ of the disclosure materials of the TPT, which provides an opportunity for the ISSB to strengthen its transition plan requirements and guidance based on the TPT’s work. That has begun, as the ISSB published a detailed guidance report, disclosing information about an entity’s climate-related transition, including information about transition plans, in accordance with IFRS S2⁹⁴, in June 2025. The proposed regulation is aligned with S2 and this guidance on the topics of materiality assessment and analysis, scenario analysis, and targets.

The ISSB has made significant progress with adoption by financial or securities regulators. As of September 2024, 30 jurisdictions decided to use or took steps to introduce ISSB Standards in their legal or regulatory frameworks, representing approximately 57% of global gross domestic product and more than 40% of global market capitalization⁹⁵. That figure now stands at 36 jurisdictions: according to S&P, “17 jurisdictions have adopted the [ISSB]

⁹¹ PRI, IIGCC, Eurosif, “Investor joint statement on Omnibus Legislation”, February 2025, https://www.iigcc.org/hubfs/POLICY/IIGCC%20PRI%20Eurosif_Joint%20Statement%20on%20Proposed%20Omnibus%20Legislation_040225%20FINAL.pdf

⁹² IFRS, “IFRS S2 Climate-related Disclosures,” June 2023, <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures.html/content/dam/ifrs/publications/html-standards-issb/english/2023/issued/issbs2/>.

⁹³ IFRS, “ISSB delivers further harmonisation of the sustainability disclosure landscape as it embarks on new work plan,” June 2024, <https://www.ifrs.org/news-and-events/news/2024/06/issb-delivers-further-harmonisation-of-the-sustainability-disclosure-landscape-new-work-plan/>.

⁹⁴ IFRS, “Disclosing information about an entity’s climate-related transition, including information about transition plans, in accordance with IFRS S2,” June 2025, <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/transition-plan-disclosure-s2.pdf>.

⁹⁵ See ISSB, Progress on Corporate Climate-related Disclosures—2024 Report (Nov. 2024), p. 4. <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/progress-climate-related-disclosures-2024.pdf>.

standards on a voluntary or mandatory basis with reporting starting between Jan. 1, 2024, and Sept. 30, 2025, and 19 other jurisdictions are planning to adopt them in the future”⁹⁶.

Finally, the International Transition Plan Network (ITPN)⁹⁷ tracks which countries have transition plan requirements that are currently in use. ITPN research⁹⁸ (October 2025) found:

- An acceleration toward mandatory transition plans, with five countries already requiring transition plan disclosure if a company has a plan in place.
- Upcoming requirements in Bangladesh, Brazil, Canada, China, Hong Kong, South Korea, and the UK, among others.

ITPN also found a convergence around the ISSB Sustainability Reporting Standards, with 37 jurisdictions working towards alignment or aligning with the ISSB. That includes the countries already requiring transition plans (Australia, Mexico, New Zealand, Singapore and Turkey), whose standards are based on the ISSB S2 standard.

Ceres’ Support and Recommendations

Given this global momentum toward long-term solvency and transition planning, Ceres strongly supports this regulation and respectfully urges the state of California to adopt this important regulation. Our support rests on extensive engagement with the insurance sector, comprehensive research on climate risk management practices, and deep understanding of both the challenges insurers face and the tools available to address those challenges effectively.

Ceres works with capital market leaders globally to build a sustainable economy by integrating sustainability considerations into capital markets decision-making. Through the Ceres Accelerator for Sustainable Capital Markets, we engage directly with insurers, regulators, institutional investors, and other financial sector stakeholders to advance climate risk management practices, enhance disclosure quality, and support the financial system’s transition towards sustainability. We have produced extensive research on insurance sector climate risk management, including annual analysis of insurers’ TCFD-aligned Climate Risk Disclosure Surveys in partnership with the California Department of Insurance and Manifest Climate.⁹⁹ This multi-year research program has documented both

⁹⁶ S&P Global, “Where does the world stand on ISSB adoption?” October 2025, <https://www.spglobal.com/sustainable/1/en/insights/regulatory-tracker/esg-regulatory-tracker-september-2025>.

⁹⁷ ITPN, “Global Transition Plan Requirements,” <https://itpn.global/interactive/>.

⁹⁸ ITPN, “Global Progress at a Glance,” October, 2025, <https://itpn.global/global-progress-at-a-glance-the-new-interactive-map-on-global-transition-plan-requirements/>.

⁹⁹ Ceres, “2025 Progress Report: Climate Risk Reporting in the U.S. Insurance Sector,” 2025, <https://www.ceres.org/resources/reports/2025-progress-report-climate-risk-reporting-in-the-us-insurance-sector>; Ceres, “The Measurement Gap: A Deep Dive into Climate Risk Reporting in the U.S. Insurance Sector,” 2025 <https://www.ceres.org/resources/reports/the-measurement-gap-a-deep-dive-into->

the substantial progress insurers have made in understanding and disclosing climate risks and the significant gaps that persist, particularly in establishing concrete metrics, setting measurable targets, and developing actionable strategies for climate adaption and risk reduction. This proposed legislation directly addresses those persistent gaps by requiring the strategic planning component that transforms disclosure into action.

Ceres' recent guidance, "Reimagining Insurance: Ceres' 10-Point Plan for the Insurance Industry,"¹⁰⁰ presents a comprehensive ten-point plan for the insurance sector. Among our central recommendations: "Implementing mandatory and transparent transition plans." We explicitly emphasized that "disclosure alone is insufficient" and that insurers must progress "from TCFD disclosures to actionable climate transition plans." This regulation operationalizes that recommendation, establishing transition plans, or long term solvency plans, as a regulatory requirement rather than leaving them as voluntary best practices that only the most forward-thinking insurers adopt.

Benefits to California's Economy, Residents, and Insurance Market

Enactment of this regulation would yield substantial benefits extending throughout California's economy and society. By requiring forward-looking risk management approaches, the regulation will help stabilize California's insurance market, reducing the frequency and magnitude of FAIR Plan assessments while supporting insurers' ability to continue serving the market even as climate risks intensify. This market stability directly benefits consumers through improved coverage availability and more predictable premium trajectories based on actual risk management rather than reactive crisis responses.

Long-term solvency planning enhances insurers' solvency and financial resilience, protecting policyholders' fundamental interests in receiving claims payments when disasters occur and maintaining continuous coverage as climate conditions evolve. A stable, functioning insurance market is essential for California's broader economic health. Insurance enables mortgage lending, protects business operations, supports post-disaster recovery, and provides the risk transfer mechanisms that allow economic activity in areas facing natural hazard exposure. This regulation helps ensure insurance remains both available and affordable even as climate risks escalate, preventing the dangerous spiral currently unfolding as insurers withdraw from high-risk markets, driving remaining residents to expensive FAIR Plan coverage or complete lack of insurance, which in turn depresses property values and constrains economic development.

[climate-risk-reporting-in-the-us-insurance-sector](#); Ceres, "Navigating Climate Risks: Progress and Challenges in U.S. Insurance Sector Disclosures," April 2025, <https://www.ceres.org/resources/reports/navigating-climate-risks-progress-and-challenges-in-us-insurance-sector-disclosures>; Ceres, "Climate Risk Management in the U.S. Insurance Sector," 2023, <https://www.ceres.org/resources/reports/climate-risk-management-us-insurance-sector>.
¹⁰⁰ Ceres, August 2025. <https://www.ceres.org/resources/reports/ceres-10-point-plan-for-the-insurance-industry>.

Long-term solvency planning will also drive beneficial innovation and investment throughout the insurance sector and broader economy. Insurers developing credible transition strategies must invest in new technologies, analytical capabilities, and products that support climate adaptation and resilience. They must engage more deeply with policyholders on risk mitigation measures, potentially catalyzing substantial investment in property hardening, community resilience infrastructure, and adaptation technologies. They must develop more sophisticated understanding of climate scenarios and their financial implications, improving overall risk assessment quality. These developments create economic opportunities while strengthening California’s resilience against escalating climate impacts.

Section 2319.7 explicitly promotes this innovation by requiring insurers to describe their approach to “development of new insurance products for emerging technologies,” including products addressing “low-or zero-greenhouse-gas-emissions residential, commercial, or transportation infrastructure,” and “risks peculiar to California’s unique ecosystems and environments.” This forward-looking provision ensures the regulation not only addresses risk management but actively encourages the development of insurance solutions that support California’s climate adaptation and transition to a sustainable economy.

Finally, California’s action will demonstrate to other states confronting similar insurance crises that comprehensive long-term solvency planning is both feasible and necessary, potentially accelerating nationwide adoption and creating more consistent regulatory expectations across jurisdictions. By pioneering this requirement, California can help establish national standards while positioning its own insurance market to adapt more successfully than markets in states that maintain reactive, backward-looking regulatory approaches. To maximize these benefits for California, Ceres offers the following recommendations for effective implementation.

Recommendations for Effective Implementation

First, implementation timelines (with the public workshop scheduled for November 14, 2025, representing an important opportunity for stakeholder input) should be carefully coordinated with existing TCFD reporting cycles to minimize duplicative work and allow insurers to leverage existing analytical processes, governance structures, and disclosure mechanisms. This coordination reduces implementation burden while improving the quality and consistency of transition plans by enabling insurers to integrate transition planning into established risk management workflows rather than creating parallel processes.

Second, while most large insurers already possess substantial climate risk management capacity, smaller carriers may require additional guidance and technical support to develop credible transition plans. The California Department of Insurance should, either directly or through subcontractors or partners, consider developing templates, practical

guidance documents, case studies illustrating effective approaches, and training resources that help smaller carriers navigate the transition planning process effectively. The UN FIT guidance provides excellent foundational materials that could inform California-specific implementation guidance, and Ceres stands ready to collaborate with the Department in developing these support resources.

Third, to the extent consistent with legitimate competitive concerns, long-term solvency plans should be publicly disclosed to provide transparency to policyholders, investors, and other stakeholders regarding how insurers are managing climate risks. Public disclosure serves multiple purposes: it enables market participants to compare insurers' climate preparedness, supports informed consumer choice, provides investors with essential information for assessing long-term financial stability, creates accountability mechanisms that encourage genuine strategic adaptation rather than superficial compliance, and contributes to collective learning as the insurance sector navigates the unprecedented challenge of adapting to accelerating climate risk.

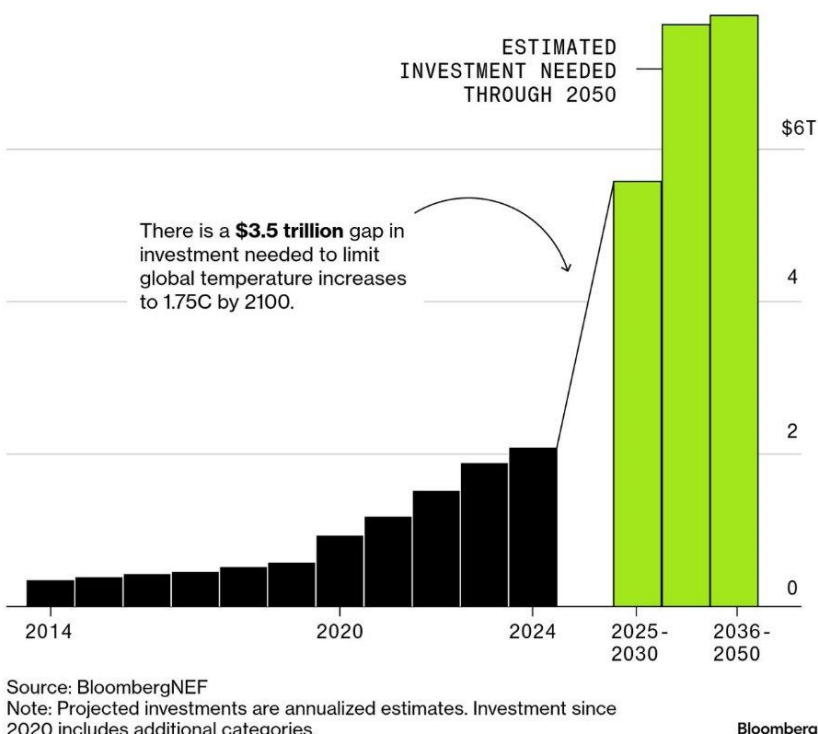
Fourth, long-term solvency planning requirements should be carefully coordinated with Commissioner Lara's Sustainable Insurance Strategy, recently implemented catastrophe modeling regulations, and other climate-related insurance reforms to ensure California develops a coherent, mutually reinforcing regulatory framework rather than a collection of disconnected requirements. Transition plans should explicitly address how insurers will utilize improved catastrophe modeling capabilities, how they will fulfill market share commitments in high-risk areas, and how their climate strategies integrate with broader sustainability initiatives. This coordination maximizes regulatory effectiveness while minimizing compliance burden through thoughtful integration rather than regulatory fragmentation.

Fifth, there are many elements of this proposed regulation that deserves support and implementation. For example, under (1) Materiality assessment of emerging risks, referring to those "expected to affect the insurer's underwriting, investments, or operations." This is key to consider these risks that could impact one or any of these three elements. The identification of "Climate-related physical risks" and "Transition risks and opportunities" are both important considerations. The reference to "testing of forward-looking climate risk scenarios, spanning time horizons through 2030, 2040 and 2050" is important, as it will highlight the difference in short, medium and long term risks.

There is further reference to "New insurance products for emerging technologies". This is especially important to highlight the business opportunity as there is an enormous opportunity as highlighted by the trillions in additional investment, all needing insurance products. This can have a constructive impact on the underwriting and the investment portfolio.

Energy Transition Investment Has Soared, But Not Far Enough

Global energy transition investment and projected investment needs



Finally, long-term solvency planning must be conceived as living documents requiring updates, at minimum annually, to reflect changing climate science, evolving business conditions, lessons learned from recent disasters, progress towards stated goals, and emerging best practices as the field of transition planning matures. Static transition plans developed once and never updated provide little value; dynamic plans that genuinely inform strategic decision-making and adapt as circumstances evolve represent powerful tools for navigating climate uncertainty. Implementation requirements should explicitly mandate regular updates and continuous improvement rather than treating transition plans as one-time compliance exercises.

Conclusion

California confronts a defining moment in its insurance history. The market faces unprecedented climate-driven stress as major carriers withdraw from high-risk areas, the FAIR Plan strains under explosive growth and catastrophic losses requiring billion-dollar assessments, and hundreds of thousands of residents struggle to secure affordable coverage. This crisis represents not a temporary market disruption but the new reality of conducting insurance business in an era where climate risk renders historical patterns progressively irrelevant to future risk. Traditional reactive approaches prove increasingly inadequate. Market forces alone cannot solve this crisis; it demands proactive regulatory

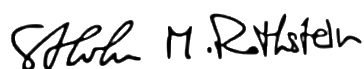
intervention that fundamentally reorients how insurers conceptualize, assess, and manage long-term risk.

This proposed regulation provides precisely such a framework. By requiring documented long-term solvency planning with forward-looking scenario analysis through 2050, measurable targets, and concrete risk mitigation strategies, the regulation ensures insurers progress beyond disclosure to meaningful action, beyond risk identification to comprehensive risk management, and beyond short-term reactive responses to long-term strategic resilience. The proposed regulation builds systematically on analytical work insurers already perform through the Climate Risk Disclosure Survey, imposes appropriately calibrated burden given existing infrastructure and expertise, and aligns with merging international guidance from the UN FIT and IAIS specifically tailored to insurance sector needs. It promises substantial benefits for market stability, consumer protection, economic resilience, and California's capacity to maintain a functional insurance market even as climate impacts intensify.

By acting decisively now, California positions itself as a national leader in comprehensive climate risk supervision by demonstrating that proactive, forward-looking regulation can support rather than hinder functional insurance markets even in the face of escalating risks. Other states confronting similar insurance challenges will watch California's experience closely. This regulation demonstrates that thoughtful policy can help markets adapt successfully to unprecedented change instead of leaving them to spiral through reactive, crisis-driven approaches increasingly divorced from physical and economic realities. This proposal is a prudential measure to safeguard solvency and policyholder protection through improved long-term risk management. It does not prescribe investment choices or emissions targets.

Ceres strongly supports adoption of this regulation and commends Commissioner Lara and the Department for demonstrating precisely the kind of regulatory leadership necessary to address California's insurance crisis. We stand ready to serve as a resource as this regulation advances through the rulemaking process and transitions into implementation. California's residents, communities, and economy deserve an insurance market capable of weathering the climate and technology challenges ahead; this regulation provides essential supervisory infrastructure for building that capacity while protecting consumers and supporting the insurance sector's successful adaptation to California's climate and technology future.

Respectfully,



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