July 21, 2026

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

Dear Commissioner Lara:

Ceres respectfully submits this comment letter in strong support of the proposed Long-Term Solvency Planning regulation, which would require California's domestic insurers to develop and submit long-term solvency plans to manage climate-related, technological, 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 the Department's continued leadership in confronting the climate-related and technological challenges facing the insurance industry, and we write to elaborate on a central point: this regulation is not a compliance burden imposed on one group for the benefit of another; it creates concrete, mutually reinforcing value for every participant in California's insurance market.

Ceres submitted a **detailed comment letter** on November 14, 2025, setting out the policy foundation, international precedent, and technical frameworks supporting the proposed regulation. This letter builds on and complements that submission by focusing squarely on *benefits*: what regulators, insurers, investors, policyholders, and the broader California economy each stand to gain when insurers progress from documenting climate risk to actively planning for it. The evidence from other sectors and jurisdictions, now substantial, demonstrates that long-term solvency and transition planning deliver value across all of these constituencies simultaneously.

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, according to **Milliman's analysis of the Los Angeles wildfires,** with estimates of total economic damages running as high as $275 billion. These events are not isolated incidents but harbingers of a future in which historical loss patterns are an increasingly unreliable guide. Long-term solvency planning is the supervisory tool that operationalizes precisely that principle. The prudential question should focus on whether insurers' business

models, capital structures, and risk-mitigation measures can sustain their claims-paying capacity under plausible future stresses.

The proposed Section 2319.7 establishes a thoughtful, risk-based framework applicable to domestic insurers writing direct annual premium exceeding $50 million across all lines; a threshold that focuses requirements on carriers with substantial market presence while avoiding burden on smaller insurers. It requires a current materiality assessment of emerging risks (technology and innovation, climate-related physical, transition, and other volatile risks), documented analyses and risk mitigation strategies with projections for 2030, 2040, and 2050, stress testing of climate risk scenarios, investment strategy targets with corresponding performance metrics, and analysis of opportunities for new insurance products. Critically, the analytical infrastructure for this work largely already exists: carriers representing approximately 85% of the U.S. insurance market already submit the **Climate Risk Disclosure Survey** based on the **Task Force for Climate-related Financial Disclosures (**TCFD) framework. The regulation asks insurers to take the next step; to convert that foundation into forward-looking strategy with measurable goals and clear accountability. The sections that follow describe the value this delivers to each stakeholder group.

There is value for the establishment of these long-term risk plans for many reasons:

- Insurers around the world are coalescing around these through the UN Forum for Insurance Transition (UN FIT).
- Institutional investors are seeking this information.
- Many nationals are highlighting the importance of these plans.
- Various constituencies from customers, investors, businesses, communities, and other stakeholders will all benefit from this transparency as insurance has become ever more critical for all customers. It is important to note that while people focus the attention on property and casualty insurance, with the recent extreme heat, harmful smoke in many parts of the nation and other climate risks, health and life insurance will have a growing impact in the near future.
- Regulators will have a clearer insight into the plans for their regulated insurers.

Recommendations to Maximize Stakeholder Value

As indicated, Ceres offers full support for implementation of this regulation. To ensure the regulation delivers its full value to every stakeholder group, Ceres respectfully offers the following recommendations for effective implementation:

- **Coordinate implementation timelines with existing TCFD reporting cycles.** Aligning the requirement with the Climate Risk Disclosure Survey minimizes

duplicative work, lets insurers leverage established processes, and improves the quality and consistency of the resulting plans.

- **Clarify that both underwriting and investing fall squarely within scope.** Section 2319.7 already directs insurers to document material risks affecting underwriting, investments, and operations alike. As the Department finalizes the guidance and instructions, it should state explicitly that materiality assessments and mitigation strategies must address underwriting practice, not investment strategy alone; how insurers price and write coverage as climate and technology risk grow is as central to long-term solvency as how they invest, and plans that address only the investment side would fall short of the regulation's own intent.
- **Develop templates, guidance, case studies, and training, particularly for smaller carriers.** The **UN Forum for Insurance Transition guidance** provides excellent foundational material. Ceres and many others stand ready to collaborate with the Department in developing California-specific support resources.
- **Provide public disclosure of long-term solvency plans, to the extent consistent with legitimate competitive concerns.** Public disclosure enables market participants to compare insurers' climate preparedness, supports informed consumer choice, gives investors the information they need, and creates accountability that encourages genuine adaptation rather than superficial compliance. This could include a standardized public summary and confidential supervisory annex.
- **Require explicit linkage of the plan to core solvency decisions.** Require each plan to explain, at a high-level or categorically, how the identified climate-related risks and scenario results influence the insurer's core business and financial decisions, such as underwriting approach, risk concentration, balance-sheet management, reinsurance practices, and investment strategy.
- **Integrate the requirement with the Sustainable Insurance Strategy and catastrophe modeling reforms.** Plans should address how insurers will use improved catastrophe modeling, how they will fulfill market share commitments in high-risk areas, and how their climate and tech strategies integrate with broader reforms, producing a coherent framework rather than fragmented requirements.
- **Treat long-term solvency plans as living documents requiring updates every few years.** Static plans developed once and never revisited provide little value; dynamic plans that genuinely inform strategic decision-making and adapt as circumstances evolve are powerful tools for navigating climate and technological uncertainty.

These recommendations are best read against the backdrop of what this regulation stands to deliver. The sections that follow lay out the case in full, stakeholder by stakeholder, beginning with the Department itself and the core solvency mandate this framework serves.

Value to Regulators and the Department

For the Department, long-term solvency planning directly advances its core statutory responsibility to ensure the solvency of California insurers, embodied in the risk-based capital framework of Insurance Code § 739.2 et seq. It provides forward-looking visibility into how carriers are preparing for plausible future scenarios rather than merely reacting to historical patterns, enabling earlier identification of emerging vulnerabilities before they threaten market stability or policyholder protection.

Historical experience alone is no longer sufficient for evaluating insurers' long-term solvency. Although insurers increasingly assess and disclose climate-related and technological risks, existing reporting is insufficient to demonstrate how those risks will affect insurers' financial performance over time, including underwriting, investments, capital, liquidity, reinsurance, and claims-paying capacity. A credible plan should show how projected changes in these financial factors may affect capital adequacy and claims-paying capacity over time.

The proposed regulation would give the Department forward-looking information needed to better evaluate whether insurers are identifying material emerging risks, testing their resilience under plausible scenarios, and taking credible, timely actions.

The financial stakes for regulators are concrete. The Los Angeles wildfires strained the FAIR Plan so severely that it required a $1 billion assessment on California insurers and their policyholders; costs **ultimately passed to consumers** statewide regardless of their location or risk profile. Research from 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 financial vulnerability that extends well beyond immediate claims payments. Section 2319.7's requirement for stress testing of scenarios through 2050, documentation of each insurer's assessment of its resilience, the reasons specific scenarios were chosen, and the implications for forward-looking strategy gives regulators the information needed to evaluate whether insurers are genuinely prepared or are maintaining inherently outdated risk models.

These vulnerabilities are not confined to individual insurers. The **U.S. Financial Stability Oversight Council** (FSOC) has identified climate risk as an emerging threat to U.S. financial

stability, observing that climate-related physical and transition risks can amplify traditional risks including credit, market, liquidity, and operational risk, and that property insurance is a key channel through which climate shocks transmit into the broader financial system. Forward-looking solvency planning gives the Department early visibility into how these risks are accumulating across its regulated entities, supporting the kind of system-wide supervision that helps prevent localized stress from cascading into broader instability.

This approach also secures California's seat at the table internationally. As the largest sub-national insurance market in the world, California's regulator must actively engage in global discussions on long-term risk analysis and solvency. The regulation aligns with the climate scenario and stress-testing frameworks of the **European Insurance and Occupational Pensions Authority,** the **Bank of England**, the **Canadian Office of the Superintendent of Financial Institutions,** and the Internationals Association of Insurance Supervisors **(IAIS) Application Paper on the supervision of climate-related risks**. Most recently, in March 2026 the **Monetary Authority of Singapore (MAS) issued transition planning guidelines** setting out supervisory expectations for insurers, alongside banks and asset managers, to manage the transition and physical risks they and their portfolios face from climate change; like Section 2319.7, the MAS guidelines are framed as prudential risk management rather than a disclosure or emissions mandate, and they caution insurers against indiscriminately withdrawing coverage from customers facing elevated climate risk. Under the proposed rule, the plans should also enable the Department to evaluate whether an insurer has translated scenario results into changes in underwriting practices, capital management, investment strategies, and geographic or peril concentration.

Finally, the regulation increases an integrated regulatory effort. Because it builds on the Climate Risk Disclosure Survey that the Department already administers and on the catastrophe modeling reforms and Sustainable Insurance Strategy already underway, it allows the Department to assemble a coherent, mutually reinforcing supervisory framework rather than a collection of disconnected requirements.

Value to Insurers and the Industry

For insurers, the most immediate benefit is that long-term solvency planning enhances the value of work they already perform. Most California carriers have already conducted climate risk assessments, performed scenario analysis, established board and management oversight, and begun tracking climate-related exposures through their TCFD reporting. The regulation asks them to build on this foundation; a reasonable evolution that transforms a compliance-oriented disclosure exercise into a strategic management tool that genuinely

informs capital allocation, underwriting and pricing, product development, and engagement with reinsurers and capital markets.

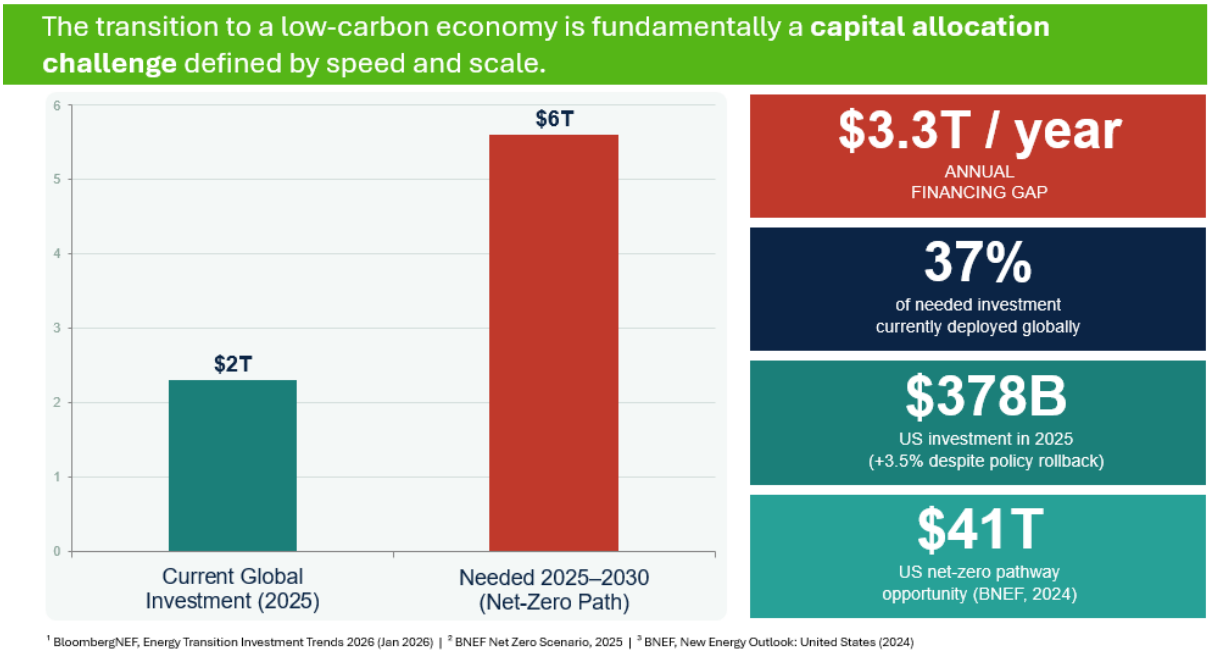
This is not a theoretical benefit. Ceres' **2026 Progress Report**, our fourth annual analysis of insurers' Climate Risk Disclosure Survey submissions, detailed further below, found that in many cases the substance is present but goes uncaptured because carriers have not yet framed existing practices such as catastrophe modeling, enterprise risk integration, and scenario analysis as forward-looking strategy. Long-term solvency planning bridges exactly this gap between knowing and doing, helping insurers capture and act on value they are already creating.

This gap between existing capability and captured value is most acute in exactly the pillar Section 2319.7 targets. Ceres' 2026 companion report, **The Measurement Gap: A Deep Dive in to Climate Risk reporting in the U.S. Insurance Sector,** examined the 45 insurance groups with the most complete Metrics and Targets reporting and found that while 87% establish comprehensive climate targets, none provide the absolute emissions targets needed to track progress against commitments; only three of the 45 groups analyzed achieved a fully compliant metrics and targets reporting status. The report attributes this to structural gaps rather than a lack of capability; carriers rely on historical baselines that predate current business conditions, reporting combined rather than scope-specific metrics and lacking the progress tracking and variance analysis that would make target-setting genuinely accountable. The proposal addresses these structural gaps directly. Its requirement for investment strategy targets paired with corresponding performance metrics, and for documented projections for 2030, 2040, and 2050, gives carriers a supervisory mechanism to build the baseline management, scope-specific measurement, and progress tracking capabilities the analysis identifies as missing. Rather than adding a new reporting burden, the regulation supplies the accountability structure that converts existing target-setting activity into the kind of decision-useful, verifiable metrics and targets reporting regulators and investors are already asking for.

The experience of other sectors confirms that credible transition planning generates measurable business returns. It is a cost with a clear return on investment. CDP's **2025 Disclosure Dividend report** found that every $1 spent on addressing physical climate risks could deliver a return of up to $21 for some firms, with a median $33.1 million in opportunities per company available for roughly $4.6 million in costs. The **Science Based Targets initiative** reports that among 171 companies surveyed, 91% saw a positive overall impact on their business from setting science-based targets, including stronger market positioning and increased investor confidence. Fundamentally understanding where the

risks are growing for insurers, and other companies, allows them to adjust and plan appropriately.

The regulation also opens a substantial commercial opportunity. By requiring insurers to describe their approach to developing new insurance products for emerging products and technologies, including products for low- or zero-greenhouse-gas-emissions and residential, commercial, and transportation infrastructure, and for risks peculiar to California's unique ecosystems, Section 2319.7 directs carriers toward an enormous and growing market. Global energy transition investment reached a record $2.3 trillion in 2025 according to **BloombergNEF.** An estimate of $4 trillion in new assets that will require insurance products, with constructive implications for both underwriting and investment portfolios. There are dozens of products and service lines that will grow significantly, and others that may not even exist at this time.



Importantly, the analytical tools insurers need to meet these requirements are mature and commercially available; the regulation does not ask carriers to build capabilities from scratch. Climate scenario analysis, stress testing, transition credibility scoring, and revenue-at-risk analytics are now embedded in the workflow platforms insurers and their asset managers already use. Bloomberg's **expanded Transition Toolkit,** for example, integrates climate risk scenarios and stress testing directly into portfolio management and risk systems, enabling users to assess how transition and physical risk may affect the

market value of securities across funds, indices, and ETFs. The infrastructure to comply efficiently exists today.

Value to Investors

Investors, including the institutional investors that hold insurers' securities and the insurers themselves in their capacity as major institutional investors, benefit from the transparency and comparability that long-term solvency planning provides. Insurance companies in the United States held approximately **$9.6 trillion in assets** as reported in 2025, and their investment performance directly influences their capacity to underwrite new policies; making forward-looking disclosure of investment strategy and transition risk materially useful to anyone assessing an insurer's long-term financial stability.

Across the global investment community, transition plans have moved from a sustainability talking point to a core input for capital allocation. The **Investor Agenda's 2025 Global State of Investor Climate Action report** found that 56% of the largest global investors assessed now disclose transition plans or elements of them, 65% track and disclose at least one portfolio emissions metric, and 51% have adopted targets for net zero portfolio emissions by midcentury. A **2025 Natixis survey of European investors** representing more than €8.5 trillion in assets found that every respondent expects investee companies to develop transition plans, and 85% use transition plans to engage with portfolio companies. This dramatic growth over the past several years, as many more institutional investors have started this process over the past decade.

This investors' reliance on transition plans is why the disclosures Section 2319.7 would generate carry value beyond the supervisory relationship. The same plans that inform the Department's solvency oversight give investors essential information for assessing long-term financial stability, comparing insurers' climate preparedness, and reorienting capital toward more resilient business models. Major California institutional investors, including **CalPERS** and **CalSTRS,** have themselves published climate action plans and net zero strategies, demonstrating that California's largest asset owners already treat this information as decision-useful.

Investors are also being equipped to act on transition plan data at scale. A Network for Greening the Financial System (NGFS) **survey** of 37 global banks and insurers found that 93% are either using client transition plans in risk management due diligence and stress testing or planning to do so, and 88% are using or planning to use transition plans to identify investment opportunities, as documented in the International Transition Plan Network's (ITPN) **analysis of private sector transition plans.** That report identifies five concrete

mechanisms by which credible transition plans mobilize finance: enhancing market confidence and reducing credibility risk; managing risk; identifying investment opportunities and building financial products; driving value creation and competitive advantage; and influencing access to capital and financing costs.

This investor demand also closes a circle with the disclosure quality challenge described below. The comparable, forward-looking information that the regulation would generate is precisely what investors have said they need but too often cannot find; both the Natixis and Investor Agenda findings reflect investors actively seeking transition plans to inform engagement and capital allocation. The regulation helps ensure California's insurers supply information that meets that demand, which in turn supports the cost of capital and market confidence of the carriers that provide it.

Value to Policyholders and Consumers

For policyholders, the value of long-term solvency planning is the most fundamental of all: a greater likelihood that their insurer will be able to pay claims and maintain coverage as climate conditions evolve. A more resilient, better-prepared insurance sector translates into fewer abrupt non-renewals, fewer FAIR Plan assessments, and more predictable premium trajectories grounded in actual risk management rather than reactive crisis response.

The consumer stakes are acute. The **California FAIR Plan** expanded to 646,000 policies as of September 2025, nearly double the count from two years prior, while major carriers withdrew from high-risk markets. Private insurers still operating have imposed dramatic premium increases, and the Department estimates that 1.5 million properties sit in wildfire-distressed areas, many unable to secure affordable private insurance. Nationally, the **growing protection gap** is projected to reach $1.86 trillion globally in 2025, with roughly 8% of U.S. homeowners forgoing insurance entirely due to affordability concerns, leaving $1.6 trillion in assets unprotected.

Wildfire is California's most visible insurance challenge, but it is far from the only one. In June 2024, Commissioner Lara released the **nation's first comprehensive analysis of extreme heat's impacts**, documenting nearly 460 deaths from identified extreme heat events, more than 5,000 hospitalizations, and billions of dollars in economic damages. California also faces escalating risk from catastrophic flooding driven by atmospheric rivers, sea-level rise threatening coastal communities, and prolonged droughts affecting agricultural regions. These interconnected perils compound insurers' exposure and make backward-looking risk models progressively less reliable across every line policyholders

depend on; the very limitation that forward-looking solvency planning is designed to address on consumers' behalf.

By requiring insurers to plan for how they will maintain coverage availability, manage systemic risk, and support climate adaptation in the communities they serve, the regulation helps stabilize markets in a way that preserves both availability and affordability.

Long-term planning benefits policyholders through one further channel that is easy to overlook: it pushes insurers to engage more deeply with the people they cover on concrete risk reduction. Insurers developing credible forward-looking strategies have direct incentives to support property hardening and community resilience, and that investment translates into measurable savings. One illustrative example, documented by the **International Transition Plan Network,** is Link REIT, one of Asia's largest real estate investment trusts, which secured an 11.7% reduction in its property insurance premiums from 2024 to 2025 as a direct result of physical-risk assessments and flood-resilience investments. As resilience investment becomes a routine part of how insurers plan for climate risk, these dynamics can help bend the cost curve for California consumers rather than leaving premiums to rise unchecked.

Value to California's Broader Economy

A stable, functioning insurance market is essential to 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. When insurers withdraw and residents are driven to expensive FAIR Plan coverage or to no coverage at all, the consequences cascade into depressed property values, constrained economic development, and long-term stagnation in affected areas. In fact, this **study** shows that for every $500 increase in insurance premiums, there is also an increase in mortgage defaults. Because insurance underpins so much downstream economic activity, instability in the insurance market does not stay contained; it transmits into mortgage markets, municipal tax bases, and the financial system more broadly, which is why financial-stability authorities increasingly treat insurance-market retreat as a systemic concern rather than a sector-specific one.

Long-term solvency planning helps prevent that spiral while catalyzing beneficial investment. Insurers developing credible strategies must invest in new analytical capabilities and products and, as described above, in the resilience of the properties and communities they insure.

A Proven Approach: Transition Planning Across Sectors and Jurisdictions

The value described above is not speculative. Long-term solvency and transition planning are a well-established practice across the broader economy, supported by a mature ecosystem of standards and a growing body of regulatory precedent. This means California's insurers can draw on extensive existing guidance, and the Department can be confident it is adopting an approach already validated in many other contexts.

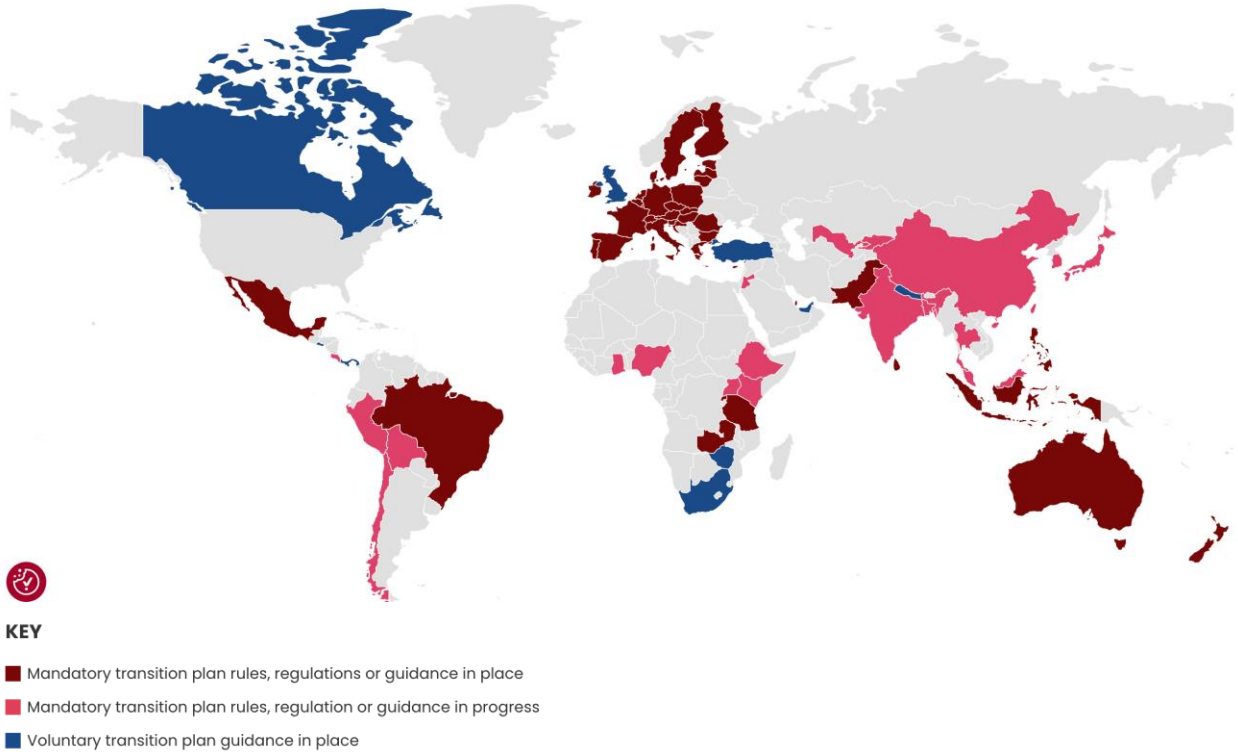
There has been extensive work in the insurance industry around the world on risk plans. According to the UN website, "This **inaugural report** of the UNEP **Forum for Insurance Transition**(FIT) and the first deliverable of the FIT Transition Plan Project, is the first global guide on transition plans for insurance companies. The report articulates the insurance industry's triple role as risk managers, risk carriers and investors in supporting a just transition to a resilient net-zero economy. It assesses key features of insurers' underwriting portfolios—across lines of insurance, the insurance value chain, and insurance actors involved—which need to be taken into account in transition planning, alongside interconnected, climate-related sustainability issues of protecting nature and biodiversity and preventing pollution via a circular economy."

In July 2025, the United Nations-convened, multistakeholder Forum for Insurance Transition (FIT) launched a **first-of-its-kind transition plan guide** tailored for insurance and reinsurance underwriting portfolios. This new deep-dive global guide was presented at the inaugural FIT Transition Insurance Summit hosted by the European Insurance and Occupational Pensions Authority (EIOPA) at their headquarters in Frankfurt, Germany.

"Underwriting the Transition" provides insurance market participants—specifically insurers, reinsurers and brokers—with a comprehensive and structured framework to help them develop and disclose credible transition plans for underwriting portfolios, addressing a significant gap in existing transition plan guidance for the insurance industry.

Across the corporate and investment community, momentum is substantial. **CDP** reported that in 2023 over one in four disclosing companies (5,906) had a 1.5°C-aligned transition plan in place, a 44% increase over the prior year. Leading corporates including Unilever, National Grid, General Mills, Mars, Ball Corporation, and HSBC have published detailed transition plans, as documented **in Ceres' Blueprint for a Leading Climate Transition Action Plan**. The standards underpinning this practice have converged: the UK's **Transition Plan Taskforce** engaged over 600 organizations and produced a gold-standard disclosure framework, responsibility for which has since passed to the ISSB, anchoring it as a global reference point.

The regulatory landscape reinforces this direction. The **ISSB's S2 standard** requires disclosure of any transition plan an entity has, and **36 jurisdictions representing the majority of global GDP** have adopted or are moving toward ISSB-aligned reporting. **The International Transition Plan Network's interactive map** now tracks transition plan rules, regulation, and guidance across more than 40 jurisdictions, including G20 members and ISSB adopters, with requirements already in force in a growing number of countries and upcoming requirements in Canada, the UK, Brazil, and others. By acting now, California positions itself as a national leader, demonstrating to other states confronting similar insurance crises that comprehensive long-term solvency planning is both feasible and necessary.



Credit: ITPN.global/interactive

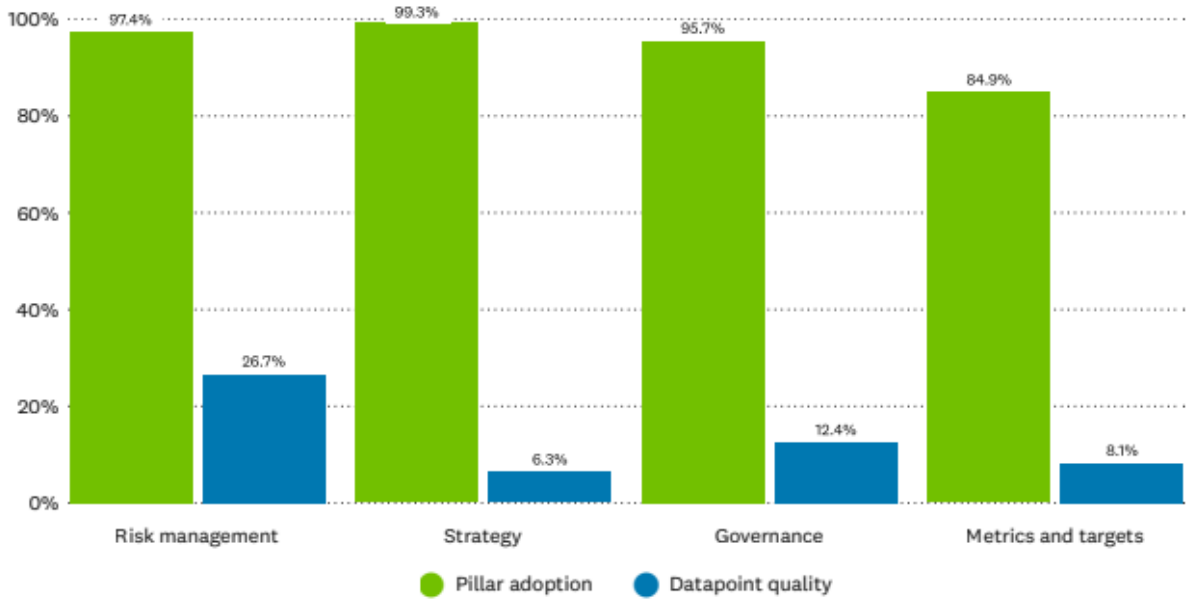
A Self-Reinforcing Cycle: Strengthening Disclosure Quality Over Time

One of the most compelling benefits of this regulation is that it completes a cycle California began in 2022. The Department administers the NAIC Climate Risk Disclosure Survey on behalf of 30 state and U.S. jurisdiction regulators, and Ceres published the analysis of the Surveys for four consecutive years. That longitudinal evidence, most recently in our **2026 Progress Report on Climate Risk Reporting in the U.S. Insurance Sector**, reveals both

how far the sector has come and where it remains stagnant; insight that directly informs why a long-term solvency planning requirement is the logical and necessary next step.

The industry has answered the question of whether to report: 83.2% of the more than 530 insurance groups assessed now address all four TCFD pillars. But it has not answered the question of how to report with the rigor that makes disclosure useful. Only 10.5% of the thousands of individual datapoints assessed meet the standard for substantive reporting; 37% are rated "not found" and 51.7% only "partially met." We have termed this the breadth-versus-depth paradox: the industry has mastered the appearance of climate disclosure while the rigor required for decision-useful reporting remains absent for the vast majority of carriers.

Figure 2 · The Breadth vs. Depth Paradox



Credt: Ceres, "The 2026 Progress Report: Climate Reporting in the U.S. Insurance Sector."

Most significant for this regulation, the gap is widest precisely where long-term solvency planning matters most. Disclosure quality has been effectively frozen since 2021, but the forward-looking elements have not merely stagnated; they have declined. The quality of TCFD climate transition plan disclosure fell from 12.5% "fully met" in 2021 to 8.2% in 2024, and climate-related target disclosure fell from 10.0% to 7.3%, even as backward-looking risk metrics improved. Today, 77.3% of assessed carriers provide no meaningful transition plan disclosure at all, and the Metrics and Targets pillar, the one most directly tied to measurable action, remains the weakest by a wide margin, with 81.9% of its datapoints rated "not found." Four years of a disclosure-only paradigm has not closed this gap; carriers find it

consistently easier to describe what they have already done rather than commit to forward-looking strategy.

This pattern is structural, not a matter of capacity; the differentiator between leaders and laggards is not sector or scale but organizational commitment to converting existing capability into forward-looking disclosure. Describing existing practices creates no future obligation; committing to a forward-looking strategy with measurable targets does. Disclosure alone supplies no mechanism to compel that commitment. A long-term solvency planning requirement supplies exactly that mechanism.

Herein lies the self-reinforcing value of the proposed regulation. By requiring insurers to translate their existing analysis into strategy with measurable targets and documented accountability, Section 2319.7 produces richer, more decision-useful information that flows back into subsequent Climate Risk Disclosure Survey cycles. The Department's own Survey, and the multi-year analysis it enables, then becomes the instrument that measures whether disclosure quality is genuinely improving over time, creating accountability for regulators, insurers, and investors alike. The requirement turns the Department's existing data infrastructure into an engine of continuous improvement.

Why a Mandatory Requirement Is Necessary

The case for a regulatory requirement, rather than reliance on voluntary adoption, rests on an honest assessment of where voluntary practice has fallen short. Despite strong momentum, an accountability gap persists. **WBCSD research** shows that fewer than 10% of the world's top 1,000 companies have a public, comprehensive transition plan. Of nearly 19,000 companies reporting climate impacts to CDP, only about 13% disclose enough to be considered as having a credible transition plan, as Ceres has **documented.** This gap between commitment and implementation is exactly what a well-designed regulatory requirement closes; it establishes long-term solvency planning as a consistent expectation across the market rather than a practice adopted only by the most forward-thinking carriers, ensuring comparable, decision-useful information for regulators, investors, and policyholders alike.

This concern is not hypothetical within the insurance sector itself. Our **2026 analysis** found that some carriers that had previously established substantive climate reporting subsequently abandoned it; in one case regressing from more than 80% of disclosures meeting or partially meeting TCFD requirements to none at all the following years. As that report concluded, without regulatory requirements or persistent market pressure, some carriers will retreat from climate transparency, and regulators should consider mechanisms

to prevent such backsliding. A long-term solvency planning requirement provides the durable, consistent expectation that prevents hard-won progress from eroding and protects the value that engaged carriers, investors, and the Department have already invested in building.

This recommendation is consistent with Ceres' own guidance. Our report, **Reimagining Insurance: Ceres' 10-Point Plan for the Insurance Industry**, calls explicitly for implementing mandatory and transparent long-term solvency and transition plans, emphasizing that disclosure alone is insufficient and that insurers must progress from TCFD disclosures to actionable long-term solvency plans. Section 2319.7 operationalizes that recommendation.

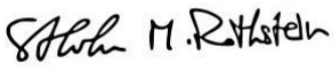
California confronts a defining moment in its insurance history. The crisis it faces is not a temporary market disruption but the new reality of conducting insurance business in an era where climate and emerging technology risks render historical patterns progressively irrelevant to future risks. Market forces alone cannot solve it; the situation demands proactive regulatory intervention that fundamentally reorients how insurers conceptualize, assess, and manage long-term risk.

The proposed regulation provides such a framework, and it does so in a way that creates value for everyone with a stake in a functioning insurance market. Regulators gain forward-looking supervisory visibility and a stronger voice internationally; insurers gain a strategic management tool, commercial opportunity, and greater value from work already underway; investors gain decision-useful transparency; policyholders gain a more resilient sector better able to pay claims and maintain coverage; and California's broader economy gains the market stability on which mortgage lending, business activity, and disaster recovery all depend. Just as importantly, the regulation completes a virtuous cycle: it converts the disclosure California already collects into forward-looking strategy, and that strategy in turn strengthens the quality of future disclosure, breaking a plateau that four years of data show disclosure alone cannot move. The regulation builds on analytical work insurers already perform, imposes appropriately calibrated burden given existing infrastructure and the maturity of available tools, and aligns with emerging international guidance from the UN FIT and IAIS tailored to insurance sector needs. It 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 the kind of regulatory leadership necessary to address California's insurance crisis. This letter, together with our comment letter of November 14,

2025, reflects Ceres' comprehensive support for the proposed regulation, addressing both the foundation for the rule and the value it delivers across the market. We stand ready to serve as a resource as this regulation advances through the rulemaking process and 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.

Respectfully,



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