

# California Resilience Authority

Adapting models for reinsurance, risk reduction and revenues to  
make California's Future golden

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## Introduction and Purpose

California has long led in innovation by drawing on talent and ideas from elsewhere and we believe that it should lean into this approach in “developing new models or approaches to complement or replace the Wildfire Fund.”

Insurance instability in states like California and Florida is no longer just an insurance problem—it threatens economic stability, public services, and long-term competitiveness.

- **Erosion of Household Wealth:** [Rising insurance premiums are pushing down home values. California homeowners hold nearly \\$2 Trillion of equity](#) which is now under threat.
- **Bond Downgrades:** The downgrade of LADWP's bond rating is indicative of a much wider problem. Property taxes pay for schools, infrastructure, and the firefighters who defend property. [Florida's example shows how acute this can become: in some coastal municipalities, 50% of the tax base is climate-vulnerable](#). Municipal bond downgrades are a serious risk to California's public finances.
- **Risks to Public Institutions:** California's institutional investors—including CalPERS, CalSTRS, UC Regents—hold substantial real-estate exposure. Fixing California's insurance market is vital to protecting the financial viability of its pensions and universities.
- **Climate-Driven Demographic Shifts:** [The SF Fed found in July 2024 that the decades-long Snowbelt-to-Sunbelt migration has stalled and is trending to reverse for key demographics](#). Rising insurance and utility costs risk compound affordability challenges creating a risk of accelerating outmigration from the state.

California's climate advantage is now becoming a disadvantage. Without urgent action to restore insurability and investability, the state faces declining affordability, weakening public services, and a shrinking economic base.

Our state has been in this situation before: thirty years ago, after the Northridge Earthquake, there were similar (though narrower) concerns about how to provide residential earthquake coverage – this obviously led to the creation of the California Earthquake Authority (CEA). Over the last few decades the CEA has built an expert staff, generated a premium surplus, and partnered with insurers to provide coverage and reinsurers and capital markets to generate risk capacity. It has also used creative measures to encourage education and resilience, including retrofitting buildings to make them stronger. We believe that the best answer for our future starts with the foundation that exists at the CEA – not just in administering the current Wildfire Fund, but expanding to partner with the FAIR Plan and incorporating best practices from around the world to create single entity dedicated to ensuring resilient communities and buildings called the California Resilience Authority or CRA.

## Flood Re

In 2007, the UK suffered a devastating flood that exposed the weakness of a previous informal ‘gentlemen’s agreement’, as insurance was withdrawn from those areas (40% of affected homes couldn’t get insurance at all) and premiums became unaffordable. In response, the UK Government came together with private industry to develop a reinsurance vehicle that could help fix the country’s insurance market. Legislated in 2014 and launched in 2016, [Flood Re’s introduction transformed the UK market](#). By providing a mechanism that allows insurers to cede policies for a fixed cost, the mechanism allows insurers to select which policies to cede, which allowed them to write policies in high-risk areas. Within 2-3 years, 99% percent of high-risk homes can now access multiple quotes from private insurers, and 100% of eligible homes could obtain insurance – statistics which remain true today.

Flood Re has a number of novel features:

- **25-year lifespan:** Flood Re has a 25-year lifespan, ending in 2039, and half of its mandate involves working towards an orderly exit and return to risk-reflective pricing from that time. Its sunset date creates a ticking clock that incentivizes action to bring down risks or implement resilience mechanisms by the time the scheme ends.
- **Levy and inward premiums:** There is currently a £180 million annual levy that provides the main funding for the program, equivalent to roughly £10.80 on every home insurance policy in the UK. This subsidizes cover for riskier properties.
- **Privately-funded:** due to an agreement whereby government funds risk reduction (flood defences), the program is paid for entirely via the levies on insurance, and the mechanism transfers risk onto global markets via reinsurance coverage for the program’s exposure.
- **5-yearly reviews:** as with many UK arms’ length bodies, it operates independently of government, but with rules set by the government that are subject to 5-yearly reviews. The program recommends whether changes are needed to maintain operation of the program or to ensure the program’s 2039 exit from the market is possible (largely through

mechanisms to incentivize risk reduction). Government then responds to these recommendations.

Partnering with Supervisor Lindsay Horvath and the UK Consul General Paul Rennie, OBE, the authors participated in a program that resulted in a delegation from the UK visiting the [Red Sky Summit](#) to learn about wildfire and then [travelling to LA for a session to share the Flood Re model](#) and look at how it might inspire California to develop its own model.

While Flood Re has many well-regarded features—including [a mechanism for flooded properties to be rebuilt with flood resilience measures](#)—its team recognizes that implementing mitigation, adaptation and resilience features only from 2022 rather than from the outset has resulted in slower uptake than it would like to this point hence our proposal recommends prioritizing resilience from the outset.

In ideating solutions, the Flood Re delegates saw the IBHS wildfire standard as a strong building block, similar to its pivot towards large-scale funding and systematic incentivization and measurement for Mitigation, Resilience and Adaptation. California, with an evidence base for wildfire resilience, may be in a position to use a fund to begin scaling immediately.

We believe that there is a unique opportunity to combine the best features of the California Earthquake Authority, Flood Re, and other modern risk management frameworks from around the world to develop a best-in-class statewide system. Our group is drafting a longer paper which examines the critical questions to answer in system design, targeted for publication in Q1 2026.

## **Innovating a Solution for California**

California now faces an insurance crisis that threatens far more than rising premiums. Declining insurability is eroding home values, weakening municipal tax bases, exposing pensions and universities to asset risk, and accelerating climate-driven demographic pressures. In short, insurability is investability, and without intervention, California's economic foundation will continue to erode.

Structural ideas for market design are not sufficient. All risk and resilience decisions also require underlying data models. There are a range of public and private providers of information about both the estimated frequency and severity of impactful events, and the actual building stock that those events impact. Creating a model which is accessible to all stakeholders and allows for a common view of risk will allow for better decision-making about how to manage, mitigate, or adapt to risk, compared to the cost of risk transfer. This model will also have to show the estimated trajectory of that risk over time – the current one year default market for insurance means that there is no signal for how risk (and the price of transferring that risk) will evolve over the lives of buildings and communities in our state. A foundational understanding of risk is critical to allow for honest evaluation and planning for the CA economy.

Flood Re and the CEA—demonstrate that other risks and other jurisdictions have confronted similar challenges. Together, they offer a framework for how California might shape its own solution. From Flood Re and the CEA, California can draw lessons on building a transitional statewide insurance framework: there are many other examples to consider, each of which offer defined choices on the key variables to optimize for depending upon the desired outcomes. Importantly, California in 2026 has the opportunity to improve upon earlier models by explicitly integrating resilience and mitigation funding from the start.

Taken together, these approaches suggest clear parameters for a California-specific solution:

- a baseline model for events and for assets for the state, across a range of risks (wildfire, earthquake, and flood in particular).
- a mechanism to bring private insurers back to California's market en masse while protecting the most at risk assets.
- a defined time horizon that ensures the system transitions toward long-term market health rather than permanent subsidy.
- Introduction of term structure into the market for risk transfer and resilience, so that risk is estimated and priced not just for one year but for three to thirty years.
- a regulatory environment that enables the broadest possible range of risk transfer solutions to be available.
- structured investment vehicles inviting participation from California's institutional investors.
- a dedicated Resilience and Adaptation Fund to support undergrounding, home hardening, vegetation management, and microgrids.

California has always led by adapting the strongest ideas from around the world and improving upon them. By blending the best risk transfer and mitigation approaches, the state can craft a uniquely Californian system—one that restores insurability, strengthens investability, and positions the state for resilience in the decades ahead.