

[brackets] = necessary state-by-state replacements

\* = may not apply in your state, or state may already have relevant provision

**[Choose a title that will work well in your state]**  
**[FOSSIL FREE INSURANCE ACT]**  
**[AFFORDABLE AND SUSTAINABLE INSURANCE FOR**  
**POLICYHOLDERS ACT]**  
**[FOSSIL FREE AND AFFORDABLE INSURANCE ACT]**

**Legislative Findings.**

Consumers pay premiums year after year to insurers to protect them when disaster strikes, but insurers across the country are increasingly not holding up their end of the bargain.

Climate-related disasters such as hurricanes, wildfires, and floods are becoming more frequent and severe, leading to higher disaster losses. In response, many insurers have raised premiums and deductibles, reduced coverage, denied more claims, or withdrawn from high-risk areas, shifting climate risks onto homeowners, renters, and businesses. These changes particularly impact communities that are already vulnerable to economic instability and natural disasters.

While this unfolds, insurers have continued to underwrite and invest in fossil fuel expansion that contributes to growing climate risks that are burdening consumers and threatening financial markets. Fossil fuel companies depend on insurance coverage to operate, and insurers remain key financial backers of new coal, oil, and gas infrastructure. Scientific research indicates that a significant portion of known fossil fuel reserves must remain unused to limit global warming, and groups like the International Energy Agency have warned that no new fossil fuel supply projects are compatible with limiting global warming below 2°C.

Major U.S. insurers collectively hold hundreds of billions of dollars in fossil fuel-related assets, increasing their exposure to climate-related financial risks, while they cite climate-driven disasters as justification for raising premiums, reducing coverage, or completely withdrawing from markets. To make sure households are able to maintain affordable property insurance, insurers must align their investments and underwriting with science based emissions targets—meaning they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement and avoid the worst impacts of climate change.

**§ 1. Short title.**

This Act shall be known and may be cited as the “Climate-Friendly Insurers Act of 202\_.”

**§ 2. Definitions.**

As used in this Act:

- (a) “[Commissioner]” means the [head/commissioner/superintendent/director] of [Department].
- (b) “Covered Insurer” means an insurance company authorized to conduct the business of property and casualty insurance in the State of [ ] that:
  - (1) reports over 10 million dollars of direct property and casualty premiums written in the State of [ ] on its annual schedule “T” filing with the National Association of Insurance Commissioners; or
  - (2) whose activities or investments may expose such Insurer to a heightened level of risk from the physical or transition effects of climate change; or
  - (3) the [Commissioner] otherwise determines that subjecting such an Insurer to the requirements of Section 3 of this Act would be in the public interest.
- (c) “[Department]” means the [state financial/insurance regulator].
- \*(d) “Financed Emissions” means greenhouse gas emissions associated with Insurer investments, as defined by [Department] in consultation with [state environmental regulator]. Insurer investments under this definition shall include, at a minimum, investments in Fossil Fuel Companies and Fossil Fuel Projects. The [Department] may, by rule or guidance, designate additional asset classes, sectors, or investment types to be included for the purpose of calculating Financed Emissions, including but not limited to high-emitting industries, carbon-intensive supply chains, and emissions-intensive utilities. In establishing a definition under this subsection, [Department] shall consider:
  - (1) internationally recognized standards for financed emissions accounting, including those issued by the Partnership for Carbon Accounting Financials (PCAF);
  - (2) the availability and quality of emissions data from subsidiary, joint venture, or portfolio companies and asset classes;

- (3) the proportional contribution of investment activities to an insurer's overall greenhouse gas footprint;
  - (4) the need to provide consistent, comparable, verifiable, and transparent emissions disclosures and disclosure standards across the insurance sector; and
  - (5) alignment with [State] climate policy objectives, including emissions reduction targets, climate risk mitigation strategies, and sector-specific decarbonization targets.
- (e) "Fossil Fuel" means a carbon-based energy source formed in the Earth's crust from decayed organic material, including but not limited to petroleum, crude oil, natural gas, and coal.
- (f) "Fossil Fuel Company" means any entity – including but not limited to corporations, limited liability companies, partnerships, joint ventures, trusts, special purpose vehicles, private equity funds, subsidiaries, associates, affiliates, or any other legal, financial, or organizational structure – that derives ten percent or more of its revenue from any new or existing Fossil Fuel Project.
- (g) "Fossil Fuel Project" means a project, undertaking, activity, or investment designed to facilitate any significant action with respect to Fossil Fuels or any byproduct thereof for commercial purposes, including but not limited to:
- (1) upstream activities: exploration, extraction, drilling, mining, production, collection, gathering, development, redevelopment, expansion, or construction of mines, fields, wells, rigs, platforms, or any other related infrastructure;
  - (2) midstream activities: refining, processing, exportation, transportation, storage, petrochemical manufacturing, or any other distribution infrastructure or logistics including construction of pipelines, terminals, power plants, or compressors;
  - (3) downstream activities: power, heat, or cooling generation facilities and Fossil Fuel-powered manufacturing under North American Industry Classification System (NAICS) codes: 221112 (Fossil Fuel Electric Power Generation), 325110 (Petrochemical Manufacturing), and 324199 (All Other Petroleum and Coal Products Manufacturing).

\* (h) “Insured Emissions” means greenhouse gas emissions associated with insurer underwriting, as defined by [Department], in consultation with [state environmental regulator]. Insurer underwriting under this definition shall include, at a minimum, underwriting Fossil Fuel Companies and Fossil Fuel Projects. The [Department] may, by rule or guidance, designate additional asset classes, sectors, or investment types to be included for the purpose of calculating Insured Emissions, including but not limited to high-emitting industries, carbon-intensive supply chains, and emissions-intensive utilities. In establishing a definition under this subsection, [Department] shall consider:

- (1) methodologies for attributing greenhouse gas emissions to insurance underwriting activities, including the methodology issued by the Partnership for Carbon Accounting Financials (PCAF) for insurance-associated emissions, and guidance from international initiatives such as the Forum for Insurance Transition to Net Zero (FIT) and the Science Based Targets initiative (SBTi);
  - (2) distinctions among lines of business, including whether the underwriting pertains to high-emitting sectors such as fossil fuel exploration, extraction, processing, exporting, transporting, and any other significant action with respect to oil, natural gas, coal, or any byproduct thereof;
  - (3) the extent to which emissions attributable to underwriting can be reasonably measured, estimated, or modeled using available data;
  - (4) the need to provide consistent, comparable, verifiable, assured, and transparent emissions disclosures and disclosure standards across the insurance sector; and
  - (5) alignment with [State] climate policy objectives, including emissions reduction targets, climate risk mitigation strategies, and sector-specific decarbonization targets.
- (i) “New Fossil Fuel Project” means a Fossil Fuel Project in excess of what is in or approved for development as of the effective date of this Act, including projects designed to expand the use of or generate new infrastructure for production from existing reserves. This does not include modifications made solely to increase safety or reduce carbon intensity – such as to reduce fugitive or vented emissions – provided that such modifications do not expand the fossil fuel supply base.

\* (j) “Science-Based Climate Mitigation Targets” means absolute emissions reduction targets that are in line with limiting global temperature rise to 1.5°C above pre-industrial levels, as defined by [Department], in consultation with [state environmental regulator]. In establishing a definition under this subsection, [Department] shall:

- (1) consider peer-reviewed, science-based methodologies and criteria developed by recognized and reputable standard-setting bodies, including the Science Based Targets initiative (SBTi), the Intergovernmental Panel on Climate Change (IPCC), and relevant international agreements such as the 2015 Paris Climate Accords;
- (2) cover Scopes 1, 2, and 3 greenhouse gas emissions – as defined by the Greenhouse Gas Protocol – and consistent with best available accounting and disclosure practices, for example, the accounting methodologies issued by the Partnership for Carbon Accounting Financials (PCAF) for financed emissions and insurance-associated emissions;
- (3) incorporate time-bound goals, including near-term (e.g. 2030) and longer-term (e.g. net zero by 2050 or earlier) benchmarks;
- (4) account for the proportional contributions, impacts, and capabilities of regulated entities in contributing to statewide emissions reductions;
- (5) require that targets do not rely on carbon offsets, avoided emissions claims, or unproven greenhouse gas removal technologies;
- (6) align with [State] climate policy objectives, including emissions reduction targets, climate risk mitigation and adaptation strategies, and sector-specific decarbonization targets; and
- (7) provide for periodic review and updating of targets based on evolving climate science, sector-specific developments, and real-world performance data.

(k) “State” or “the State” or “this State” refers to the State of [\_\_\_\_\_].

### **§ 3. Implementing climate leadership targets for Insurers.**

(a) The [Department] shall:

- (1) within twelve months of the effective date of this Act, develop and implement a process for Covered Insurers to file reports under Subsection (b) of this section;
- (2) align Covered Insurer investment and underwriting activities with science-based climate mitigation targets, including by:
  - (A) prohibiting Covered Insurers from underwriting any New Fossil Fuel Projects following the effective date of this Act;
  - (B) directing Covered Insurers to unwind and terminate any outstanding or pending commitments or negotiations to underwrite New Fossil Fuel Projects within two years following the effective date of this Act;
  - (C) directing Covered Insurers to phase out all underwriting for any existing Fossil Fuel Projects and Fossil Fuel Companies within 10 years of the effective date of this Act or by 2035, whichever is sooner, and establish short, medium, and long term benchmarks;
  - (D) prohibiting Covered Insurers from investing in any New Fossil Fuel Projects following the effective date of this Act;
  - (E) directing Covered Insurers to unwind and terminate any outstanding or pending commitments or negotiations to invest in New Fossil Fuel Projects within two years following the effective date of this Act;
  - (F) directing Covered Insurers to phase out all investments from any existing Fossil Fuel Projects and Fossil Fuel Companies within 10 years of the effective date of this Act or by 2035, whichever is sooner, and establish short, medium, and long term benchmarks; and
  - (G) Any other requirements deemed necessary by the [Department] to align Covered Insurers' investments and underwriting with science-based climate mitigation targets, including developing and implementing enterprises-wide transition plans.
- (3) within twelve months of the effective date of this Act, develop and implement a process for Covered Insurers to certify under Subsection (c) of this section, as a condition of licensure in the State of [\_\_\_\_], that they meet the requirements of this section, which may include mandatory transition plans and progress;

- (4) annually review the reports and certifications required under this section, and compile and post the information in such reports and certifications on the [Department]'s website within three months of receiving the same.
- (b) Six months following the effective date of this Act, and annually thereafter, Covered Insurers shall submit, within six months of the end of each fiscal year, a report to the [Commissioner] disclosing:
  - (1) the Covered Insurer's investments in any Fossil Fuel Company, Fossil Fuel Project, or New Fossil Fuel Project;
  - (2) the Financed Emissions from all of the Covered Insurer's investments in the previous fiscal year;
  - (3) the Covered Insurer's underwriting for any Fossil Fuel Company, Fossil Fuel Project, or New Fossil Fuel Project, in terms of total gross premiums in dollars, disaggregated by company and project in a format determined by the [Commissioner];
  - (4) the Insured Emissions from all of the Covered Insurer's underwriting in the previous reporting year;
  - (5) the timelines, strategies, and methodologies the Covered Insurer has implemented to comply with the requirements of this Act;
  - (6) the progress the Covered Insurer has made towards achieving these requirements, including specific milestones; and
  - (7) any other information the [Department] deems necessary to effectively implement and enforce any rule or regulation promulgated pursuant to this Act, which the [Department] shall publish in advance.
- (c) As part of a the annual report required under Subsection (b) of this section, the CEO or CFO of a Covered Insurer shall certify the accuracy of the information contained in such reports and that the Covered Insurer has:
  - (1) ceased or made progress towards cessation of underwriting and investment in any Fossil Fuel Project;

- (2) relinquished or made progress in relinquishing any direct or indirect stake in any Fossil Fuel Company or Fossil Fuel Project; and
- (3) not invested in or underwritten any New Fossil Fuel Project.
- (d) The [Commissioner] may engage the services of third-party attorneys, actuaries, accountants, and other experts not otherwise a part of the [Commissioner]'s staff, at the reporting Covered Insurer's expense\*, as shall be reasonably necessary to assist in the review of such Covered Insurer's filings under this section. All persons so engaged shall be under the direction and control of the [Commissioner] and shall act in a purely advisory capacity.

#### **§ 4. Compliance & Penalties.**

- (a) Any Covered Insurer that fails to comply with the reporting requirements, divestment obligations or underwriting prohibitions under this Act shall be subject to, at the discretion of the [Commissioner], one or more of the following:
  - (1) administrative penalties:
    - (A) equivalent to the Covered Insurer's fractional share of the property and casualty insurance market [in State] based on total premiums written multiplied by the insurer's net profits generated from the Covered Insurer's enterprise-wide operations within [State] in the violation year, and
    - (B) up to and additional 0.01% of the violation year's net profits generated from the Covered Insurer's enterprise-wide operations within [State] per day of a continuing violation; and
    - (C) Up to 25% of premiums collected underwriting any New Fossil Fuel Project;
  - (2) prohibition on declaring or distributing any dividends\* to shareholders or any bonus, incentive compensation, or other variable remuneration to executive officers or board members without the prior written approval of the [Commissioner];
  - (3) 150% increase in annual fees for licensing, exams, and renewals in each year of violation; or



- (4) restriction, suspension, or revocation of the insurer's license to do business in [State], including limitations on the amount of premiums written in [State] or limitations on other lines of business conducted in [State].
- (b) Any Covered Insurer that fails to comply with the reporting requirements, divestment obligations or underwriting prohibitions under this Act shall be required to report semiannually to the [Commissioner] and submit a compliance plan until the [Commissioner] determines the Insurer or Covered Insurer is in compliance with this Act.
- (c) Any Covered Insurer that fails to comply with the provisions of this Act three times within five years may be subject to additional penalties available to and at the discretion of the [Commissioner] under [State's insurance laws].
- (d) The [Commissioner] may transfer fees collected\* under this section to other departments or state-administered funds for the purpose of financing projects and initiatives designed to avoid, limit, or adapt to negative impacts caused by climate change, including for the benefit of households residing in and businesses located in low- and-moderate income communities or disadvantaged communities.

## **§ 5. Reporting.**

- (a) Within twelve months of the effective date of this Act, and once every two years thereafter, the [Commissioner] shall submit a report to the legislature and the governor. The report shall also be made available to the public and posted on the [Department]'s website. The report shall disclose, for the preceding two calendar years, the [Department]'s:
  - (1) Efforts to implement the provisions of Section 3 of this Act, including anonymized and aggregated data on Insurer investments in and underwriting of Fossil Fuel Companies and Fossil Fuel Projects, Financed Emissions, and Insured Emissions;
  - (2) Regulatory and supervisory actions taken, if any, to bolster the resilience of Insurers to the physical impacts of climate change;
  - (3) Regulatory and supervisory actions planned, if any, to bolster the resilience of Insurers to the physical impacts of climate change;

- (4) Violations of Section 3 this Act, and any penalties assessed as a result, anonymized and aggregated;
  - (5) The effects, if any, that insurers' efforts to address climate risk have had on the affordability and availability of insurance for low income communities, communities of color and other traditionally underserved communities in the State.
- (b) Such report shall also summarize available information regarding:
- (1) Insurer and insurance market readiness for climate change and the energy transition;
  - (2) major sources of climate risk faced by the Insurers;
  - (3) any gaps related to climate risk that the [Department] intends to address; and
  - (4) any legislative action that must be taken in order to allow the [Department] to address climate risk.

## **§ 6. Rules**

The [Department] shall adopt such regulations as the [Commissioner] deems necessary to carry out the purposes of this Act.

## **§ 7. This Act shall take effect immediately.**