***As Disasters Worsen, California Looks at Curbing Construction in Risky Areas***

The state’s insurance regulator endorsed proposals that could reshape the real estate market, the latest sign of climate shocks hitting the economy.

**By**[**Christopher Flavelle**](https://www.nytimes.com/by/christopher-flavelle)

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At the start of wildfire season, California’s insurance regulator has backed [sweeping changes](http://www.insurance.ca.gov/01-consumers/180-climate-change/upload/Draft-Climate-Insurance-Recommendations.pdf) to discourage home building in fire-prone areas, including looking at cutting off new construction in those regions from what is often their only source of insurance — the state’s high-risk pool.

The proposals, many of which would require approval by the State Legislature, could remake the real estate market in parts of California and are the latest sign of how climate change is beginning to wreak havoc with parts of the American economy.

On Friday, the insurance commissioner, Ricardo Lara, endorsed proposals that include halting state funding for infrastructure in certain areas prone to fire, leaving vacant lots undeveloped and the expansion of more stringent building codes.

“These ideas are going to be challenging,” Mr. Lara said at the beginning of a meeting of the Climate Insurance Working Group, which he established and which recommended the changes. “We are really going into uncharted territory.”

The building industry quickly pushed back against the recommendations. Dan Dunmoyer, president of the California Building Industry Association, said it wasn’t necessary to limit development because building standards are already strong enough to protect homes in high-risk areas.

“If you build to the minimum code requirements, you are building a fire-safe home,” Mr. Dunmoyer said. He added that if the state wanted to keep insurance available in those areas, it should allow insurers to raise their rates.

The new proposals mark the latest chapter in California’s struggle to cope with years of record-breaking wildfires starting in 2017. Those fires led to insurance claims from homeowners that were unmatched in number and size, which in turn caused huge losses for insurers, wiping out decades’ worth of profits.

In response, insurers have begun [pulling out of fire-prone areas](https://www.bloomberg.com/news/articles/2018-01-04/california-says-wildfires-are-making-home-insurance-unaffordable), threatening people’s ability to buy and sell homes, which depends on access to affordable insurance. That’s because banks generally require insurance as a condition of issuing a mortgage.

The state has taken a series of increasingly aggressive [steps](https://www.nytimes.com/2020/09/16/climate/california-home-insurance-crisis.html), including [temporarily banning companies](https://www.nytimes.com/2019/12/05/climate/california-fire-insurance-climate.html) from dropping some customers after wildfires. But those steps were meant to be a stopgap as state officials searched for more lasting changes that would allow the insurance industry to keep doing business in high-hazard areas.

California’s experience could become a model for the rest of the United States, which has staggered through a series of devastating [wildfires](https://www.nytimes.com/article/why-does-california-have-wildfires.html), hurricanes, floods and other disasters.

In addition to the human toll, those disasters have put growing pressure on the financial sector, prompting large investors to warn of a “[systemic threat](https://www.nytimes.com/2020/07/21/climate/investors-climate-threat-regulators.html)” to the economy. President Biden last month told federal officials to [prepare for financial shocks](https://www.nytimes.com/2021/05/20/climate/biden-climate-change-economy.html) from climate change, including disruption in the insurance market.

The proposals endorsed by Mr. Lara offer a window into the scale of changes that may be necessary to prepare for those shocks.

The recommendations include changes to the insurance industry itself, such as making it easier for insurance companies to charge higher premiums based on the losses they expect to suffer from future disasters. Currently, they can only seek higher rate requests based on past losses.

But other proposed changes reflect the growing consensus among experts that accelerating climate risk is fast becoming uninsurable — and if governments want insurance to remain affordable, it will mean finding new ways to limit people’s exposure to that risk.