

When Insurance Becomes a Business Problem

California's Climate Risk Crisis and What Business Leaders Can Do

BUILD (Businesses United in Leading Democracy) is the American Sustainable Business Network's (ASBN) nonpartisan initiative to equip business leaders to speak on the economic issues shaping their operations. Insurance is one of them. California's insurance market is being reshaped by climate risk faster than any policy process has adapted, and the decisions being made now will determine coverage costs and whether it is available at all. Business owners are among the most affected and have a powerful story to tell about how policies affect their operations.

The Business Case for Insurance Reform

Affordability, Climate Risk Reduction, Transparency

According to a recent survey, **nearly half of small business owners (46 percent) say the cost of insuring all their risks forces them to operate underinsured.** When a disaster strikes, a substantial share of American small businesses will not be made whole afterward.

California is where that pressure is sharpest. Climate-driven extreme weather has made large parts of the state difficult to insure at any price, and the economic consequences cascade from there. The 2025 LA wildfires alone cost an estimated \$130 billion, pushing households and local businesses into financial instability. Many who can still find coverage are being shunted onto the FAIR Plan, the bare-bones insurer of last resort, and as many as **1 in 5 homeowners are forgoing home insurance entirely,** affecting the workforce.

Businesses face the same market and fewer protections. The Federal Reserve's Small Business Credit Survey found that about **1 in 5 California small businesses reported losses from natural disasters** in the prior year. Commercial policyholders face fewer regulatory pricing caps, weaker cancellation protections, and more exclusions than homeowners. When coverage becomes unavailable or unaffordable, the effects reach housing, mortgages, payrolls, and municipal budgets.

For values-based businesses, insurance reform is a prerequisite for a resilient economy and a functioning democracy.

Affordability

Sudden spikes in property or business insurance premiums close small businesses and destabilize the local tax base. For a business on thin margins, an increase cuts directly into hiring, expansion, or inventory. These surges also ripple outward, driving up residential rents, stalling affordable housing development, and pricing out the local workforce.

Climate Risk Reduction

The insurance industry's reliance solely on premium hikes or market exits leaves physical assets exposed to danger. We must shift from merely pricing and shifting risk to actual risk reduction at its source. Businesses that have already invested in hardening their properties often see no premium benefit for having done so.

Transparency & Accountability

Hidden catastrophe models and secret risk scores prevent business owners from planning. Markets must operate transparently to earn public trust.

How Can Business Leaders Engage?

- 1. Tell Your Story:** Your experience is the evidence policymakers need. Tell Your Story is a short form where you describe what has actually happened with rate hikes and your coverage: a premium figure, a non-renewal, a decision you deferred due to burdensome costs. We may use your stories for legislator outreach, advocacy, or media interviews, but only with your permission. Your concerns with speaking publicly are reasonable, and we work with them. Participating does not commit you to anything. Someone from ASBN follows up personally.
- 2. Educate Your Network:** Share this resource and the A.C.T framework with local chambers, merchant associations, and fellow business owners. Climate risk is an immediate balance-sheet liability, and collective education is the first step toward advocacy. Attend public hearings, comment on rate filings, and demand meaningful, transparent reviews of catastrophe models and pricing inputs. Use ASBN's Build Resources for more information about how to engage with candidates and elected officials about issues that matter to your business, and read more here on the role and importance of the Insurance Commissioner.
- 3. Advocate for Public Modeling and Mitigation Co-Investments:** Support state legislation that funds transparent public modeling systems and requires insurers to reward homeowners and businesses for risk-mitigation investments.

Learn More: [A.C.T Framework](#)
[ASBN Build Resource Hub](#)

Questions? Contact Team@asbnetwork.org
ASBN, with our members and state affiliates collectively represents 200,000+ businesses.