For Submission

To:	Electronic Submission to California Department of Insurance
Date:	August 31, 2023
Company:	Clear Spring Property and Casualty Company NAIC 15563
RE:	Response to *Climate Risk Disclosure Survey Reporting Year 2022*

Governance

1. Disclose the insurer's governance around climate-related risks and opportunities.

In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:

- Identify and include any publicly stated goals on climate-related risks and opportunities.
- Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities. In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

- Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

Company Response

The Company has a robust and comprehensive risk governance program, with strong and effective controls. The risk governance framework considers material and relevant risks, based on the nature, scale and complexity of the operations of the Company, including any climate-related risks as applicable. The risk management framework facilitates risk-informed decision making by allowing the board of directors, senior management, and management risk committees to participate in candid and proactive dialogue around matters of risk management.

The full board is responsible for the oversight of enterprise risks, including climate-related risks. The risk governance framework is established and authorized by the board at the legal entity level to provide oversight of material and relevant enterprise risks. The Company is part of a business unit that includes other insurer affiliates, and the risk management framework is undertaken at the business unit level. The full board is accountable to ensure appropriate risk governance structures are in place, with delegated responsibility and authority to senior management and management risk committees as appropriate. The board holds regular meetings on a quarterly basis and receives reports from the Chief Risk Officer and management risk committees at each meeting.

Senior management is responsible for the development and execution of the Company's business strategy, including consideration of potential climate-related risks and opportunities. Management risk committees have been established and authorized by the board to facilitate the oversight of the Company's enterprise risks. Management risk committees meet regularly to identify, monitor, assess, report, and manage risks, including climate-related risks as applicable.

For Submission

The Company’s Enterprise Risk Management Committee (ERMC) provides comprehensive oversight of the Company’s risk management activities and initiatives. The ERMC is chaired by the Chief Risk Officer and is composed of members of senior management. In addition to the ERMC, the Company has established other management risk committees that provide a comprehensive framework for risk management, addressing material and relevant risks in a robust and effective manner. Material and relevant risks, including climate-related risks and opportunities, are formally evaluated through the management risk committee and risk governance process.

Strategy

2. Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.

In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:

- Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency.
- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.

A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.

- In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:
- Define short, medium, and long-term, if different than 1-5 years as short term, 5-10 years as medium term, and 10-30 years as long term.

B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.

In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:

- Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.
- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

Company Response

The Company seeks to maintain a strong financial position to ensure policyholder claims are met and that it has sufficient capital to carry out its business strategy. As an insurer writing primarily workers' compensation policies, the Company does not underwrite or insure a significant amount of climate risk perils and does not anticipate climate-related risks to present a material impact to the performance of the insurance products it offers.

With respect to its investment portfolio, the Company is exposed to market risk generally which may include climate-related risks and opportunities. The Company maintains a robust investment underwriting process, which includes screening investments for potential climate-related risks. While markets are complex and could be impacted by any number of systemic risk factors, the Company does not desire to take an outsized exposure to sectors subject to transition risks (i.e., the risks arising from society's transition towards a low-carbon economy), including carbon-intensive sectors.

In conducting its operations, the Company has taken opportunities to limit the extent of its environmental footprint at its primary office facilities, including: utilizing energy-reducing solutions in its facilities (e.g., motion-based sensors and LED lighting); participating in local utility programs for recycling, where available; and, limiting the number of printing devices deployed in its operations. In addition, the Company mitigates the extent of its environmental impact by leveraging electronic delivery methods for communications with its customers rather than physical documents, unless required by regulation or requested by preference. The Company further mitigates the environmental impact of its operations by providing a hybrid workplace model for its employees, thereby significantly reducing the impacts of daily workplace commuting.

As part of its business operations, the Company has a business continuity and disaster recovery program to identify critical business processes and contingency plans in the event of business interruption, including those from climate-related events. The Company has a robust technology infrastructure with strong failover and recovery capabilities. As noted above, the Company provides a hybrid workplace model with technical capabilities to allow its personnel to work off-site for extended periods of time, if needed.

At the present time, the Company does not consider the impact of climate change as presenting a material risk to conducting its operations or to the successful execution of its business strategy over the short term. As such, the Company has not specifically evaluated the resilience of its strategy in the context of climate-related scenarios. The Company has a formal risk governance process which is reviewed at least annually, and any new, emerging, or changes in material and relevant risks over the short-, medium-, or long-term, including climate-related risks if applicable, would be identified as part of that process.

Risk Management

3. Disclose how the insurer identifies, assesses, and manages climate-related risks.

In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

- Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.
- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.
- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.

A. Describe the insurers' processes for identifying and assessing climate-related risks.

In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:

- Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.

B. Describe the insurer's processes for managing climate-related risks.

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.

In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

- Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.
- Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.
- Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

Company Response

As described in response to question 1, the Company has a robust and comprehensive enterprise risk governance framework to identify, monitor, assess, report, and manage risks. At least annually, the Company conducts a comprehensive review and evaluation of its risk framework and identifies any new, emerging, or changes in material and relevant risks, including consideration of climate-related risks. To date, the Company has not specifically adopted a climate risk policy as climate-related risks are addressed as part of the Company's enterprise risk framework.

Management risk committees regularly evaluate enterprise risks of the Company, with processes in place to monitor, mitigate, and escalate to the ERMC, senior management, and/or the board as appropriate. The Company acts on risk management and mitigation strategies on a timely basis to ensure it operates consistently with its risk appetite and tolerance. Any evaluation of climate-related risks would be consistent with, and proportionate to, other key risks the Company identifies as part of its enterprise risk management framework.

As described in response to question 2, the Company considers transition risks and supports the transition to a low-carbon economy in the management of its investment portfolio. The Company, however, has not yet utilized climate scenarios.

Metrics and Targets

4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

- Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.

A. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.

In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:

- In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions)

B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

Company Response

To date, the Company has not specifically developed climate-related risk metrics or targets.

The Company has not specifically evaluated its greenhouse gas emissions nor adopted a specific emissions plan. However, the Company has taken steps to limit the extent of its environmental footprint at its primary office facilities, including: utilizing energy-reducing solutions in its facilities (e.g., motion-based sensors and LED lighting); participating in local utility programs for recycling, where available; and limiting the number of printing devices deployed in its operations. In addition, the Company mitigates the extent of its environmental impact by leveraging electronic delivery methods for communications with its customers rather than physical documents, unless required by regulation or requested by preference. The Company further mitigates the environmental impact of its operations by providing a hybrid workplace model for its employees, thereby significantly reducing the impacts of daily workplace commuting.