

# NAIC CLIMATE RISK DISCLOSURE SURVEY

## TCFD-ALIGNED QUESTIONS

**PRA companies with more than \$100 million in direct written premium nationwide 12/31/2023**

ProAssurance Indemnity Company, Inc. - 33391

ProAssurance Specialty Insurance Company - 17400

NORCAL Insurance Company - 33200

Eastern Alliance Insurance Company - 10724

### 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.*

*Governance Response: As a professional liability and general liability insurer for physicians, dentists, allied health professionals, lawyers' professional liability and a workers' compensation insurer, climate change would not impact our decision to insure or not insure any particular risk. For our customers, we have stopped offering public live, in-person risk management seminars. Currently they are only available online reducing the need for our insureds to travel. ProAssurance Group maintains two honeybee colonies on the roof of its corporate headquarters. These hives support over tens of thousands of honeybees and produce approximately 100 pounds of honey a year. Foraging activity by the bees contributes to the health and pollination of flowering plants and trees in a radius up to five miles around our corporate headquarters. In addition, please see ProAssurance's Sustainability and Our Environmental Commitment statement, as attached.*

#### **Governance – closed ended questions answered in addition to the narrative**

- Does the insurer have publicly stated goals on climate-related risks and opportunities?  
(Y/N) NO
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk?  
(Y/N) YES
- Does management have a role in assessing climate-related risks and opportunities?  
(Y/N) YES
- Does management have a role in managing climate-related risks and opportunities?  
(Y/N) YES

## 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.*

*Strategy Response: See response to question 1 above.*

*The Group has not engaged key constituents on the topic of climate-related risks at this time.*

### **Strategy - closed ended questions answered in addition to the narrative**

- *Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency?*  
(Y/N) \* NO
- *Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk?*  
(Y/N) NO
- *Does the insurer make investments to support the transition to a low carbon economy?*  
(Y/N) NO
- *Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations?*  
(Y/N)\* NO

## 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.

*Risk Management Response: As stated in the responses above, the Company writes primarily professional liability, general liability, and workers' compensation insurance. The types of insurance we offer are not directly impacted by climate-related risks. Our investment strategy is focused on total return and does not explicitly factor environmental issues into investments. See response to question 1, above.*

***Risk Management – closed ended questions answered in addition to the narrative***

- Does the insurer have a process for identifying climate-related risks?  
(Y/N) YES
  - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N) YES if we felt it was warranted
- Does the insurer have a process for assessing climate-related risks?  
(Y/N) YES – We have a process to identify material climate related risks.
  - If yes, does the process include an assessment of financial implications? (Y/N) YES
- Does the insurer have a process for managing climate-related risks?  
(Y/N) YES
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? Not Applicable  
(Y/N/Not Applicable)\*
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks?  
(Y/N)\* NO
- Has the insurer considered the impact of climate-related risks on its investment portfolio?  
(Y/N)\* NO
- Has the insurer utilized climate scenarios to analyze their underwriting risk?  
(Y/N) NO
- Has the insurer utilized climate scenarios to analyze their investment risk?  
(Y/N) NO

## 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.*

*Metrics and Targets Response: See response to question 1, above. The Group does not utilize any metrics and/or targets.*

### **Metrics and Targets – closed ended questions answered in addition to the narrative**

- *Does the insurer use catastrophe modeling to manage your climate-related risks?*  
(Y/N) NO
- *Does the insurer use metrics to assess and monitor climate-related risks?*  
(Y/N) NO
- *Does the insurer have targets to manage climate-related risks and opportunities?*  
(Y/N) NO
- *Does the insurer have targets to manage climate-related performance?*  
(Y/N) NO

\* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.

# Sustainability and Our Environmental Commitment

## Overview

ProAssurance's mission states that **We Protect Others**. We strive to achieve that mission by adhering to a set of core values, unbending **Integrity, Leadership** that works, superior **Relationships** and infectious **Enthusiasm**. As we apply these values to achieve our mission in business, we also apply them to our stewardship of the environment. We are committed to policies and practices that demonstrate our concern for the environment and the impact our operations will have today and into the future. We are attentive to the environmental effects of the materials we use in our daily operations, the systems we use to efficiently serve our customers, and our facilities management.

The environmental impact of ProAssurance is minimal because of the nature of our business. Nevertheless, we will work within our operations to mitigate our environmental impact and promote a respect for our environment within our workforce.

## ProAssurance Environmental Policy

ProAssurance must balance the needs of many stakeholders, ranging from our policyholders to our distribution partners to our shareholders and our employees. The decisions we make about energy use, the purchase of consumables and supplies, and workplace practices all must take into account our environmental footprint. We are committed to continually improving the environmental sustainability of our operations and business activities. Our Nominating and Corporate Governance Committee has responsibility for Environmental, Society and Governance impact.

We pledge to comply with relevant environmental regulations wherever we operate. We will continue to work to implement energy-efficiency initiatives and will consider the conservation/environmental features of buildings where we rent or lease space and will utilize and promote environmentally sustainable construction practices and building features when renovating existing spaces where we operate in order to produce healthy, sustainable workplaces for our employees and onsite contractors.

We continually work, to reduce our energy consumption through efficiency initiatives that address energy use associated with lighting and other energy consuming systems.

As a non-manufacturing company, our water usage is limited to personal consumption and hygiene. Because of the variability of water consumption and use, we are unable to reliably report total water use by location or at the enterprise level. We do not monitor wastewater discharge given the non-manufacturing nature of our consumption. We are unable to recycle water consumed personally or used in hygiene, and thus cannot report on the percentage of water recycled or reused.

Also as a non-manufacturing company, we do not generate industrial-scale emissions of nitrogen oxides (NO<sub>x</sub>), sulphur oxides (SO<sub>x</sub>), hazardous air pollutants (HAPs) or particulate matter (PM) and other significant air pollutants, but we recognize that our employees' commuting and business travel do produce such emissions. We believe our expanded commitment to telework programs and the reduction of travel through video conferencing and teleconferencing will continue to mitigate such personally-created emissions. As an enterprise, we do not produce non-methane volatile organic compounds (VOCs), and are committed to the use of non-VOC products, especially paint and coatings, in our buildings as a matter of employee and contractor and environmental health.

## **Sustainability and Our Environmental Commitment**

Further, because of the nature of our business, we do not produce hazardous waste. Each of our facilities provide containers for the proper disposal of personally-created hazardous waste such as needles used for prescribed injections (e.g., insulin).

We do not have any projects in areas of high biodiversity, and we are committed to the use of external standards or guidelines to identify areas of high biodiversity before embarking on any new or expansion projects, which we believe to be highly unlikely at this point.

### **Environmental Actions**

We are reducing our use of paper and increasing our efficiency and time-to-market through the use of technology that promotes a paperless transaction flow to reduce the amount of paper we purchase. By moving toward a paperless transaction environment, we expect to increase the quality and efficiency of the services provided to our insureds, our distribution partners and our employees. In addition to saving on paper costs and reducing our waste stream, the creation and delivery of documents electronically will have the added benefit of reducing a variety of direct costs including those for photocopier supplies and postage as well as reducing the need for storage space and filing equipment.

We are already ensuring that sensitive data that is printed and no longer used for a legitimate business purpose, or documents of that nature that have reached the end of their required/allowable retention period are shredded and recycled.

As we adapted our work practices to respond to the dislocations of the COVID-19 pandemic, we introduced highly flexible remote work options for virtually all employees whose jobs do not require physical presence in an office. Approximately 40% of our workforce is entirely remote, and 55% work under hybrid arrangements. We thus have substantially reduced emissions associated with automobile commuting and carbon footprint associated with leased office space. By reducing the number of commuting days, we will positively affect the environment and provide a much-desired benefit to employees.

Further, since 2014 we have spent in excess of \$7.25 million installing teleconferencing and video conferencing equipment to link all our facilities. As a result, we have decreased travel costs and increased productivity by facilitating frequent communication as we have averaged approximately 8300 electronically-facilitated meetings per month.

### **Addressing Climate Change**

ProAssurance recognizes the need for a sustainable environment as a fundamental requirement for a stable society and a strong economy, which benefits consumers and businesses alike. Regardless of how one interprets the science of climate change, the bottom line is that it is occurring and is one of the most significant risks facing our world right now. Thus, addressing climate change is an economic imperative as mitigation now will be exponentially less expensive than repairing the damage should society fail to act in the near term. We are cognizant of the need to do everything we can to ensure our business reflects environmentally-friendly practices.

## **Sustainability and Our Environmental Commitment**

ProAssurance is committed to policies and planning that address cost-effective solutions to mitigating the risks associated with the threat of climate change. Where applicable, we are addressing potential outcomes in our strategic decision making by including the risks of climate change in our Enterprise Risk Management (ERM) process, both in our lines of business and at the corporate level. If potential risks are identified within our lines of business, we engage in a comprehensive evaluation process by involving relevant internal stakeholder groups. These risks are elevated, as appropriate, to our corporate-level ERM process, where they are considered alongside threats specific to corporate-level functions. The resulting report of ERM risk factors is reported to, and discussed with, the Board of Directors which serves as our corporate Risk Committee.

Our Workers' Compensation and Segregated Portfolio Cell Reinsurance segments are also affected by changing climate conditions, as extreme weather has often been linked to a higher incidence of work-related accidents. As a further example of our response to identified threats, we have tightened our underwriting, addressed needed pricing changes and expanded our risk management programs to mitigate these potential risks.