

# NAIC CLIMATE RISK DISCLOSURE SURVEY

## TCFD-ALIGNED QUESTIONS

### UPDATED 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.*

#### MEMIC Casualty Company & The MEMIC Group's response:

Climate change-related risks have not been identified as a material risk to our business operations. The Company is a mono-line workers' compensation insurer. Greater than 80% of our premium is written in the Northeastern region of the United States across multiple industries and there is no concentration in our book of business that would be considerably or negatively impacted by climate change.

(A) The Company's Enterprise Risk Management Committee considers all risks. The Company's Enterprise Risk Committee includes members of management. The Company's Audit Committee is responsible for oversight of the Company's risk management program. The Audit Committee serves in an advisory role to the Board in the context of overall risk management. The Audit Committee is responsible for:

- Reviewing identification of the significant risks in accordance with the ERM Policy
- Ensuring there are ERM processes in place to measure, mitigate, monitor, and manage significant risk exposures, including appropriate controls
- Overseeing the application of ERM practices and the ongoing identification of emerging risks
- Reporting to the full Board on risk management activities, including the status of any significant current and emerging risk exposures and trends

(B) Management considers all risks and opportunities but does not have a specific official duty or role in assessing and managing climate-related risks and opportunities.

#### 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.*

## MEMIC Casualty Company & The MEMIC Group's response:

The Company does not consider change-related risks as a material risk to our business operations.

(A) The Company has explored energy saving alternative renovations on our home office building including energy efficient lighting, replacement windows and water usage. The Company invests in Hydro Power for Maine where our home office is located and has recently negotiated a 20-year contract for solar power in the solar farm being constructed in mid Maine. When possible, employees who would otherwise use air or land transportation are encouraged to conduct meetings using online resources. The Company has recently upgraded its data storage facility with a contemporary, efficient cooling system.

(B) The Company's Investment Committee has considered ESG factors in our investment strategy. The Company's investment managers have not led the Company's investment committee or Senior Management team to believe that there are significant concentrations of climate change risk on securities in our current portfolio. The current ESG rating of the overall portfolio is A.

(C) The Company has not performed resilience testing on different climate-related scenarios.

## 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.

## **MEMIC Casualty Company & The MEMIC Group's response:**

The Company's Enterprise Risk Management Committee considers all exogenous and endogenous risks to the business. The Company does not have a specific formal process for identifying climate change-related risks. The Company is a mono-line workers' compensation insurer. Customer demand for our product is not directly impacted by climate-related issues. The Company does not believe that climate risk will adversely impact liquidity, surplus or cash outflows.

## **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.*

### **MEMIC Casualty Company & The MEMIC Group's response:**

The Company does not use catastrophe modeling to identify and manage climate-related risks. The Company does not have metrics and targets to assess climate-related risks, opportunities, or performance.

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