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.

Response: *The Company is a medical professional liability insurance company. This line of insurance is not directly affected by risks related to climate change. As such, the Company primarily focuses on risks related to climate change in the management of its investment portfolio which is under the purview of the Investment Committee.*

The Company also has an established Enterprise Risk Management ("ERM") program to define and monitor the risk appetite of the Company as it relates to all categories of risk: strategic, insurance, financial and operational. These include risk of natural disasters and market fluctuations, such as those caused by climate change.

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.

Response: *Because the Company primarily writes medical professional liability insurance, most losses covered under the Company policies are not directly attributable to climate change-influenced events. We do not engage key constituencies on climate risks nor have a formal plan to mitigate greenhouse gas emissions. However, the Company and its advisers have considered the impact of climate change on its investment portfolio. Mitigating risk in the investment portfolio due to climate change is incorporated into the Company's investment decisions. When evaluating credits, the Company's investment portfolio manager considers carbon risk as well as the risk of natural disasters becoming more frequent and severe due to climate change. Credits with the most risk of being impacted by natural disasters need solid financial resources to provide short term liquidity to fund 1) continuing operations despite potential delays in revenues and 2) repairs to property damaged or destroyed until federal and state aid or insurance proceeds are received.*

Electric Utilities

- *Risks: Utilities are closing older, less efficient coal plants to reduce their carbon footprint and shifting to more sustainable forms of energy generation, which may require significant increases in capital expenditures. Additionally, as states and local municipalities commit to net zero goals, utilities may be required to shut down coal facilities before the end of their expected useful life and invest in sustainable generation to replace them.*
- *The Company's investment portfolio manager targets utilities that are diversifying or have diversified away from coal plants for generation and have a manageable strategy for meeting their state's renewable energy standards.*
- *The Company's Portfolio: Since 2016, purchases of power utilities for the portfolio have focused on transmission or generation from hydroelectric power or natural gas.*

Hurricane Risk

- *Risks: Warmer oceans will lead to more frequent and more powerful hurricanes and tropical storms resulting in more floods and property damage, particularly along the coasts.*
- *In areas of heightened hurricane risk, the Company's investment portfolio manager targets higher quality, larger municipalities with the resources and access to the capital markets to fund the cost of recovering from natural disasters, and avoids municipalities with extreme exposure to natural disasters and climate change such as islands – Florida Keys, Galveston, etc. Corporate credits with the most exposure to hurricanes include REITS, insurance companies and utilities with exposure to states along the Gulf Coast; when reviewing these types of corporate credits, the investment manager considers the regulatory environment, diversity of operations, exposure to certain regions and hurricane risk, and credit strength.*

- *The Company's Portfolio: The Company is cautious when investing in credits along the Gulf Coast and southern Atlantic coast, and the portfolio has relatively limited exposure to municipal and corporate credits along coasts with significant hurricane exposure.*

Water and Sewer Credits

- *Risks: Drier, hotter climates will result in less available water and increased capital spending to secure adequate water supplies. Additionally, population growth has been very strong in warmer, water stressed environments also leading to increased infrastructure needs to ensure availability.*
- *The Company's investment portfolio manager target utilities with a history of raising rates, strong project management, and adequate sources of water or plans for obtaining new sources of water.*
- *Company's Portfolio: Water utilities in the portfolio are geographically diverse across the nation to reduce exposure to a single source of water.*

State of California Credits

- *Risks: Warmer temperatures will result in 1) more frequent and more severe wildfires and 2) smaller snowpacks and more rain (snow melts slowly to provide drinking water through the year) resulting in more flooding and less available drinking water. With reduced available drinking water, residents face increased water conservation regulations that could pressure economic development with potential population migrations out of the state to more water safe regions.*
- *When the Company's investment portfolio manager reviews California credits, they consider the extent of the risk of wildfires, droughts and flooding on the credit, the financial and operational impact of that risk, and a credit's ability to respond to the challenges.*
- *Company's Portfolio: California exposure in the portfolio is spread across the state and is focused on credits with strong resources for responding to the challenges of climate change.*

Heat Stress

- *Risks: According to the EPA's data through June 2024, the average surface temperature in the US has increased 0.17°F per decade but have risen more quickly since the late 1970's 0.32 to 0.51°F per decade since 1979.*
- *The Company's investment portfolio manager views this as a longer-term risk but continues to evaluate the impact heat stress will have on regions of the U.S. including population shifts, reduced economic output, and increasing events of natural disasters. Investment strategy will be modified as the extent and timing of the impact is better understood.*

Transition to a Low Carbon Economy

- *Opportunities: The Company's investment portfolio manager considers green and sustainable investments for inclusion in the Company's portfolios. Green municipal investments have included investments in mass transit systems to reduce carbon emissions and the construction of LEED facilities at a major university to reduce energy consumption and help meet net-zero goals. As more municipal issuers develop plans for addressing climate change and adopt net-zero targets, it is expected the opportunities for these types of investments will increase.*

The Company's investment portfolio manager looks to diversify portfolios geographically both across the country and within individual states to reduce the impact of climate change and the risk of natural disasters to the portfolio. As information on the impact of climate change becomes more readily available and credits improve their disclosure on how they plan to respond to climate change, the Company will work with its investment portfolio manager to continually monitor credits and their appropriateness for the Company's portfolio.

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.

Response: *The ERM Program is the method by which the Company evaluates, ranks and decides upon mitigation for risks facing the Company, including those risks that may be related to climate change. The ERM program includes the maintenance of a risk register for all material risks, and periodic evaluation of the risks, Company risk tolerance, and risk mitigation activities. To date, this process has not identified climate change as a material risk to the company's business. We will continue to monitor climate risk in the course of our ongoing ERM program.*

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.

Response: *Because the Company primarily writes medical professional liability insurance, most losses covered under the Company policies are not directly attributable to climate change-influenced events. Consequently, the Company is not engaging in computer modeling or specific actuarial analysis regarding climate change-related risks. Please see the Company's previous responses for information on the other actions Company has taken to manage climate change-related risks outside of the underwriting process.*

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