RESPONSE TO
NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS

RESPONDING INSURANCE COMPANY NAME	NAIC #	STATE OF DOMICILE
The Doctors Company, an Interinsurance Exchange ("TDC")	NAIC #831-34495	California
TDC National Assurance Company ("TDCNA")	NAIC #831-41050	Oregon
TDC Specialty Insurance Company ("TDCSI")	NAIC #831-34487	D.C.
Hospital Insurance Company ("HIC")	NAIC #831-30317	New York

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:

Climate-Related Disclosures are handled at a group level on behalf of The TDC Group of companies listed above (TDC, TDCNA, TDCSI, HIC). Specific activities undertaken at the company level are described in the answers that follow. David A. McHale, Chief Legal and Human Resources Officer, in coordination with our Chief Investment, Chief Audit and Chief Operating Officers, manage the oversight of climate-related financial risks. For our New York domiciled company, HIC, its governing Board appointed Jaylynn Slattery, Assistant Vice President of Healthcare Risk Advisors, as the person responsible for overseeing HIC's climate risk assessment. At the May 2024 Board meeting, the Chief Investment Officer reported on the risks presented to the Group's investment portfolio by climate and how the investments are made/positioned to address those potential risks.

The TDC Group of companies has historically considered many factors, including climate change, in the management of its investment portfolio. Effective January 1, 2022, TDC's Board of Governors amended the Statement of Investment Policy and Guidelines that specifically addresses the organization's approach to sustainable investing and the oversight of its general account assets as follows:

> *"We recognize the importance of considering environmental, social, and governance (ESG) risk factors (which include diversity, equity, and inclusion) in the management and oversight of our investment portfolio. In support of California's Climate Risk Carbon Initiative and reduction of carbon emissions, we seek to overlay ESG considerations into asset allocation, governance, due diligence, monitoring, and investment decision making. In addition to ESG benefits, we believe this will enhance our evaluation of investment risks and returns and potentially improve long-term financial performance. Sustainability is integrated into our investment process as follows:*
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> *<u>Asset Allocation</u>: We will use California's Climate Sustainability Branch guidelines as a basis for assessment of both fossil fuel exposure, including oil, gas, and thermal coal enterprises, as well as*

positive environmental factors such as, but not limited to, green bonds. In conjunction with our external investment advisors, we will attempt to evaluate all securities in our portfolio that exhibit poor ESG risk characteristics and ratings. Consistent with our corporate mission of advancing, protecting, and rewarding the practice of good medicine, we will restrict direct investments in tobacco.

Governance: In the selection and monitoring of external investment managers, TDC will consider how they practice ESG concepts within their respective organizations and what ESG guidelines and protocols are built into their investment processes.

Impact: We actively prospect and evaluate investment opportunities that offer compelling financial returns in conjunction with measurable positive environmental or social impact initiatives. For new strategies we will consider, but not limit ourselves to, options available through the California Organized Investment Network (COIN). COIN's mission is to guide insurers on making financially sound investments that yield environmental benefits throughout California and/or social benefits within the State's underserved communities.

In 2016, TDC committed $50M to fund a renewable power mandate, which replaced a strategy that was significantly carbon energy and commodity driven. In 2020, TDC committed 1-3% of Invested Assets to COIN-Qualified strategies (California Organized Investment Network), which included climate-related strategies. Established in 1996, this voluntary program facilitates insurance industry investments that benefit CA's environment and its low-to-moderate income and rural communities. In 2021, we invested $10M in a high impact green bond fund that invests in a diversified portfolio of liquid, green, and sustainable corporate bonds.

In 2023, (through COIN) we have increased TDC's global renewable and sustainable investments through infrastructure equity and debt, which invests in companies that are a major force behind global decarbonization using cleaner, cheaper, and more efficient sources of energy. The Group's executive leadership understands relevant climate risks and manages the group of insurer's overall business strategy and risk appetite through its existing enterprise risk management functions and controls.

Additionally, the TDC Group Enterprise Risk Management program (ERM) is an enterprise-wide effort that reviews an assortment of potential risks, including climate-related risks. This program is led by the TDC Group's Internal Audit function which includes HIC's leaders on a regular (quarterly) basis. As part of this process, the impact and likelihood of enterprise risks are assessed, and a review of risk mitigation strategies is performed (with heightened focus on material risks) to determine whether the identified mitigating activities are appropriate.

Through an ongoing review of the TDC Group's business, executive leadership has determined the insurance products offered by the Group and the professional liability line of business are not likely to be materially impacted by potential climate change risks. Nor is there material exposure to the risks associated with climate change. As such, the TDC Group finance function will continue to monitor the investment portfolio for climate-related risks, and the through the efforts of the Group's ERM program and through regular presentations by the Group's Chief Investment Officer, the TDC Board of Governors will continue to receive presentations on the materiality of climate risks which are reflected in the minutes of board meetings. If climate risk should rise to a level of material risk, appropriate mitigation strategies, if any, to employ to address such risks will be included in the presentation.

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:

The TDC Group of companies are focused on sustainability as a steward of our natural resources.

The Napa headquarters office has been recognized for over 10 years by the Napa Valley Recycling and Environmental Awareness Team as one of the South County Business Recycling Leaders. TDC Specialty Underwriters, TDCNA, TDCSI, and HIC follow suit by leveraging recycling wherever possible, leasing office space in green buildings where possible, and using paperless delivery with all correspondence and policy information. HIC and Healthcare Risk Advisors operate in a building that uses 100 percent green power, with smart technology for lighting and energy. HIC and Healthcare Risk Advisors' leadership has also supported their building's mandatory recycling program with more plentiful recycling containers and has provided all employees with a reusable water container.

At TDC's Napa headquarters facility, and other locations, ongoing energy-reducing projects are highlighted as follows:

• LED Lighting Replacement – All interior and exterior fluorescent lights have been replaced with LED units.

• Data Center Improvement: We have replaced the two existing Liebert (air conditioning) units in the data center. We have also installed air flow channels in the subfloor of the data center that ensure that the cool air is directed on the equipment resulting in less overall power from the Liebert units.

• HVAC Replacement Project Phase 3 which entailed replacing outdated, inefficient air conditioning units throughout the facility. The New York facility's HVAC unit is maintained by building management ESRT. There is a separate unit for the multipurpose rooms, which is maintained by HRA and serviced by Sovereign to maintain efficiency.

• Building and Equipment Insulation: Ceiling Tile Replacement Project**-** The Napa facility has replaced all existing ceiling tiles with higher R value tiles. The New York facility is a leased suite and building and equipment insulation is maintained by building management ESRT.

• Water Conservation Efforts**:** At both the Napa and New York facilities, all the kitchen fixtures were recently replaced with touchless units, low-flow 1.6-gallon toilets, and 1.0 gallon urinals in each restroom.

• Recycling Efforts, Carbon & Plastic Dependency Reduction: Whenever possible, TDC uses and procures sustainably sourced materials that are low carbon, recycled or recyclable, including our café in which all café utensils and plates are biodegradable. The New York facility replaced disposable coffee cups with ceramic mugs for each employee and utilizes composting and centralized waste bin stations. The Napa facility utilizes composting in green bins with all kitchen food scraps into food scrap bins. All e-waste, batteries, florescent lighting, and cooking oil is recycled using an outside vendor. TDC Group has a large number of telecommuters, reducing even more carbon emissions.

The following is an outline of how the Group takes climate into account when reviewing its investment decisions:

Asset Allocation: The Group uses California's Climate Sustainability Branch guidelines as a basis for assessment of both fossil fuel exposure, including oil, gas, and thermal coal enterprises, as well as positive environmental factors such as, but not limited to, green bonds. In conjunction with our external investment advisors, the Group attempts to evaluate all securities in our portfolio that exhibit poor ESG risk characteristics and ratings. U.S corporate bonds, global stocks, renewables, and global infrastructure debt and equity make up a majority of the asset classes impacted by climate risk.

Governance: In the selection and monitoring of external investment managers, the Group considers how they practice ESG concepts within their respective organizations and what ESG guidelines and protocols are built into their investment processes.

Impact: The Group actively prospects and evaluates investment opportunities that offer compelling financial returns in conjunction with measurable positive environmental initiatives. For an example of some new strategies, the Group will consider, but not limit itself to, options available through the California Organized Investment Network (COIN). COIN's mission is to guide insurers on making financially sound investments that yield environmental benefits throughout California and/or social benefits within the State's underserved communities.

Asset Managers and Transition Risks: The Group's core fixed income managers, who handle more than 50% of group assets, believe that climate-related factors may have material impacts on issuers' credit quality (now and over the long term), affecting the full range of fixed income and related asset classes e.g. mortgage-backed securities, corporate credit, sovereigns and municipalities. Climate risk is integrated into the overall investment processes through top-down and bottom-up research. They view the energy transition and global temperature rise as of utmost importance, considering the ever-growing evidence of meaningful economic impacts and credit risks. Climate risk (including transition risk) is integrated into the overall investment process and at the portfolio level through ESG assessments. Some of these managers support a number of climate-related organizations (e.g. TCFD, IGCC), as well as the Paris Agreement. Climate change analysis is factored into secular, five-year investment views.

At the portfolio level, investment implications of climate change, in both the short and long term, stem primarily from transition risks (e.g., business risks prompted by the energy transition, such as tighter regulations on carbon emissions) and physical risks (e.g., how climate change affects natural resources upon which the issuer depends).

The analysis focuses on issuers' carbon emissions intensity using production-based metrics, such as emissions per barrel equivalent for oil and gas companies. A lifecycle methodology enables some comparison within the sector and over time, as well as in relation to climate scenarios.

Climate Risk Scenario Analysis (including transition risks): The time horizon for the scenario testing varies by manager, but typical assessment is over a 1–5 year period for short-term climate-related issues such as storms or physical damage, and longer-term for system planning. Scenario analysis emphasizes transition risks (policy, legal, technology and market risks linked to the transition to a low-carbon economy. Issuers with higher exposure to transition risk will suffer negative bond price impact should an extreme climate transition occur, while those with lower exposure may see a price increase. The evaluation of climate physical risk builds on forward looking models that help assess corporate issuer's exposure to certain hazards under certain climate scenarios.

To the extent storm and wind damage associated with climate change can impact insurance-related investments, our managers are very careful and consider the exposure these companies may have to adverse events based on their geographic exposure and other financial factors such as reinsurance coverage.

Our primary managers monitor climate risks at the single issuer level, with the view of making investment decisions in which they are adequately compensated for those risks. They recognize that climate change will likely have a profound impact on the global economy, financial markets and issuers and have developed tools and methods that seek to incorporate over time material climate risk evaluations in the investment research processes.

When evaluating climate-related risks and opportunities within specific sectors and issuers, there are two broad categories that are assessed: 1) transition risks (e.g., tighter regulations on carbon emissions) and 2) physical risks (e.g., how the rising intensity and frequency of extreme weather events affects critical assets and natural resources used or relied upon by the issuer).

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:

The Doctors Company and affiliated companies have always been guided by a fundamental belief: That the practice of medicine should be advanced, protected, and rewarded.

As The Doctors Company has grown over the years, it has sought like-minded organizations to partner with, and its vision has steadily expanded. TDC Group of companies, including HIC, TDCNA and TDCSI serve the professional liability needs of the full spectrum of healthcare, including physicians, dentists, advanced practice clinicians, other healthcare providers, medical groups of all sizes, hospitals, medical facilities, large health systems, and the life sciences industry.

As explained in detail above, the TDC Group of companies' insurance products and the professional liability line of business are not likely to be materially impacted by potential climate change risks. Nor is there material exposure to the risks associated with climate change. As such, the TDC Group finance function continues to monitor the investment portfolio for climate-related risks, and through the efforts of the Group's ERM program and through regular presentations by the Group's Chief Investment Officer, the TDC Board of Governors receives presentations on the materiality of climate risks which are reflected in the minutes of board meetings. If climate risk should rise to a level of material risk, appropriate mitigation strategies, if any, to employ and address such risks will be included in such a presentation.

The TDC Group Internal Audit function ensures that any assessment of climate-related risk, including determination of materiality, is explicitly documented in its Enterprise Risk Assessment, and a review of risk mitigation strategies is performed on material risks to determine whether mitigating activities are appropriate.

Risk Appetite is handled at the TDC Group level. The TDC Group's ORSA process is conducted at the TDC Group level because a majority of insurance operations are integrated, and enterprise risks are managed at this level. TDC Group of companies has a formal risk appetite framework that is approved by the Management ERM Committee, CEO, and TDC Board of Governors. The TDC Group reviews risk policies adopted by its Board and explicitly documents how material climate risk related to the companies are monitored and managed in line with its risk appetite statement.

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:

RESPONSE:

To date the TDC Group of companies engage on the topic of environmental protection and climate change with staff. In addition to the responses to the survey questions above, employees are encouraged to use online meeting resources rather than travel for meetings. The Group has moved many positions to fully remote and thus reduced the impact on commuting as well as reducing the offices' carbon footprint and energy and resource savings. As stated above, the TDC Group of companies serve the professional liability needs of the full spectrum of healthcare, including physicians, dentists, advanced practice clinicians, other healthcare providers, medical groups of all sizes, hospitals, medical facilities, large health systems, and the life sciences industry. These products and the professional liability line of business are not likely to be materially impacted by potential climate change risks. Nor is there material exposure to the risks associated with climate change. However, pursuant to the New York Department of Financial Services Guidance on Climate Risk, the companies continue to assess the materiality of climate risks for the businesses and if they become material, the companies will "publicly disclose related figures, metrics, and targets as well as methodologies, definitions, and criteria used to make that determination."