



CRUM & FORSTER®

A FAIRFAX COMPANY

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305 Madison Avenue, Morristown, NJ 07962

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California Department of Insurance
300 Capitol Mall, 17th Floor
Sacramento, CA 95814

SUBMITTED VIA PORTAL

Re: 2021 NAIC Climate Survey Responses for the following Companies:

- **United States Fire Insurance Company (NAIC #21113)**
- **The North River Insurance Company (NAIC #21105)**
- **Crum & Forster Indemnity Company (NAIC #31348)**
- **Seneca Insurance Company, Inc. (NAIC #10936)**

The attached will provide you with our group response , as of the date of this letter, to the 2022 NAIC Climate Survey. I am submitting these responses in my capacity as Vice President of Regulatory Compliance & Market Conduct for the above listed companies.

For the purpose of these responses, and at your request, please note that "addressee" includes each of the entities listed above.

Sincerely,

Mark Scheetz

2022 NAIC Climate Survey Questions

To provide clear direction for achieving a robust, insurance-sector specific TCFD report, narrative and closed ended questions follow, grouped into the TCFD's four topics: governance, strategy, risk management and metrics and targets.

The statements listed next to numbers and letters are directly taken from the TCFD Framework and should be fully addressed in the insurer's response. As discussed in detail above, insurers should consider including the bulleted items in their response to the TCFD statement above it. For additional guidance on sector specific content to consider including, refer to the Implementation Recommendation Report.

MANDATORY QUESTIONS

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.
 - The Company does not publicly state a goal on climate-related risks or 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.
 - The Company's parent, Fairfax Financial Holdings Limited ("FFH"), has established a global risk committee in which senior officers of FFH, the Company, and the Company's related companies participated. The purpose of the global risk committee is to provide clear and consistent monitoring, measuring, modelling, and aggregating of all material risks at the FFH enterprise level and at the individual company level. At the company level, the Company complies with applicable laws, regulations, and guidance relating to climate-related disclosure. The Company's executive leadership, Corporate Risk Committee, and board of directors have begun assessing climate-related risk within the Company's existing enterprise risk management framework. A report on FFH's environmental, social, and governance performance is available [HERE](#).
- 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.
 - The Company's Corporate Risk Committee oversees the management of climate related financial risks in coordination with FFH's global risk committee. The Corporate Risk Committee monitors climate-related

financial risks potentially impacting the Company's insurance group, and shares relevant information across the Company's insurance group. The Company's Corporate Risk Committee reports to the Company's board of directors and is comprised of the Company's Chief Actuary, Chief Risk Officer, Chief Financial Officer, Chief Executive Officer, and General Counsel.

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

- The Company's management assesses and manages climate-related risks primarily by focusing upon aggregate exposure in property insurance underwritten by the Company's insurance subsidiaries. The Company utilizes adjustments in property catastrophe models designed to account for climate conditions in the near future. The Company consulted the RMS near-term event catalogue to evaluate wind exposure within the Company's United States operating footprint. The Company consults the AIR Warm Sea Surface Temperature event catalogue to evaluate additional exposures within the Company's United States operating footprint.

Appendix – Information that New York domestic insurers should include in the Governance section of their Survey responses:

- 1. Please describe your company's board governance structure as it relates to climate risks and include at least the information below:
 - The board member(s) or committee(s) that are responsible for the oversight of the management of climate risks.
 - The Company's Corporate Risk Committee is tasked with overseeing the management of climate-related risks. The Corporate Risk Committee reports directly to the Company's board of directors. The Company also coordinates its risk management activities with those of FFH.
 - The board's familiarity with climate risks and education/training on climate risks.
 - The Company's board of directors are all seasoned insurance executives, conversant in the risk that climate change presents to the overall operations of the Company. Separately, FFH's board of directors all have similar awareness of such risks.
 - Whether board governance is done at the ultimate holding company level (if applicable), intermediate holding company level (if applicable), the entity level, or a combination. If handled at the ultimate holding company level, describe what activities are undertaken at the entity level.
 - A report on FFH's environmental, social, and governance performance is available [HERE](#). At the company level, the Company complies with applicable laws, regulations, and guidance relating to climate-related disclosure. The Company also monitors exposures arising from

- climate change, with particular attention to the effects on weather patterns from a frequency and severity perspective.
- If the company has made climate commitments, how the board oversees management's progress toward meeting such commitments.
 - The Company does not make a climate commitment.
 - The senior management function(s) that are responsible for the management of climate risks.
 - The Company's Chief Risk Officer is responsible for managing climate-related risks at the senior management level.
 - Please share any other relevant information.
 - A report on FFH's environmental, social, and governance performance is available [HERE](#).
- 2. Please describe the specific plans the company has developed on climate-related organizational structure and include at least the information below:
 - How climate risks will be managed through the company's existing enterprise risk management functions.
 - The Company intends to continue managing climate-related risks through its existing enterprise risk management framework, which includes division- and brand-level risk committees and a Corporate Risk Committee, in coordination with FFH's global risk committee and enterprise risk management framework. The Company intends to continue coordinating its activities with FFH, which achieves risk management through a decentralized structure involving the Company and its related companies.
 - The roles and responsibilities of the control functions related to managing climate risks.
 - The Company intends to continue managing climate-related risks through its existing enterprise risk management framework, which includes division- and brand-level risk committees and a Corporate Risk Committee, in coordination with FFH's global risk committee and enterprise risk management framework.
 - How the risk management process will be implemented across lines of business, operations, and control functions.
 - The Company intends to continue implementing the risk management process at the divisional and brand level within the Company's operations. The Company intends for each of its divisions and branches to continue analyzing the risks associated with its respective product offerings, including climate-related risks. The Company also intends to continue coordinating its activities with those of FFH, which achieves risk management and controls through a decentralized structure involving the Company and its related companies.
 - Plans for explicitly considering climate risks in enterprise risk reports and ORSA summary reports.

- The Company intends to continue addressing climate-related risks in the context of enterprise risk reports and ORSA summary reports.
 - Plans for the internal review of the functions and procedures for managing climate risks.
 - The Company intends to continue reviewing the functions and procedures for managing climate-related risks, as well as continuing to coordinate its functions and procedures with those of FFH.
 - Plans for developing the skill, expertise, and knowledge for assessing and managing climate risks.
 - The Company intends to continue working with subject-matter experts, including science teams at catastrophe modeling vendors, reinsurance brokers, reinsurers, FFH, and its related companies.
- (Optional) If the company has considered using remuneration policies to align incentives with the strategy for managing climate risks and with performance against climate metrics, please describe any such considerations and their status.
 - The Company does not currently consider using remuneration policies to align incentives with the strategy for managing climate risks and with performance against climate metrics.
- (Optional) The Department does not expect the plans relating to organizational structure to be implemented by August 15, 2022. However, if the company has implemented any portion of those plans, please describe the status and when the plans will be fully implemented.
 - The Company includes the management of climate-related risks in its existing enterprise risk management functions and includes climate-related risks in the charter of the Corporate Risk Committee, which reports to the board of directors. The Company intends to diligently pursue full implementation of its plans.

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.*
 - The Company participates in and is a member of industry trade associations whose interests include engaging with federal and state governments on the topics of climate-related risk and resiliency when raised as a regulatory issue. FFH, which is a publicly traded company listed on the Toronto Stock Exchange, engages with investor groups whose interests include the topics of climate-related risk and resiliency. The Company and FFH also engage with rating agencies, whose criteria include the topics of climate-related risk and resiliency.

- Describe the insurer’s plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.*
 - The Company assesses, reduces, and/or mitigates its greenhouse gas emissions in its operations or organizations by: (a) embracing the digitization of the insurance industry and implementing a hybrid work model, thereby reducing greenhouse gas emissions attributable to its operations; (b) subleasing, returning, non-renewing, or selling unused or underutilized portions of its existing onsite locations, thereby reducing its physical resource demands; (c) incorporating the principles of conservation and climate resiliency in its physical plant operations and design, thereby reducing greenhouse gas emissions and resource demands on a going-forward basis where practicable; (d) revising its travel policies to encourage meetings and trainings using remote technology, thereby reducing greenhouse gas emissions attributable to its operations; (e) facilitating the use of recyclable or compostable single-use food containers, as well as the use of reusable supplies, at its onsite locations, thereby reducing resource demands at its physical locations; and (f) encouraging the use of energy conservation technology at its onsite locations, thereby reducing greenhouse gas emissions and resource demands attributable to its operations.
- 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.

Time Horizon	Risks	Opportunities
Short-term		
Medium-term		
Long-term		

Response: Short-term: A material, climate-related risk is presented by over-reliance upon historical weather data when evaluating or pricing property exposure, particularly for the perils of wind, flood, wildfire, and severe convective storm. A material, climate-related opportunity is presented by increased demand for insurance products to address those perils. The Company is continuing to assess short-term climate-related risks and opportunities.

Medium- and Long-term: A material, climate-related risk is presented by a fundamental shift in the risk profile of an insured risk, which may arise from adopting or relying upon batteries, solar, wind, or other emerging technologies that store or produce electricity onsite, or which may arise from the geographical distribution of traditionally concentrated insured risks facilitated by technology. Another material,

climate-related risk is presented by litigation arising from greenhouse gas-generating insured risks. The Company is continuing to assess medium- and long-term climate-related risks and opportunities.

- 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.
 - The Company's Trade Credit division underwrites renewable energy trade credit risks. The Company's Surplus and Specialty division underwrites certain insurance risks of biofuel production facilities, windfarms, solar arrays and installations, and other alternative energy facilities, as well as contractors in the commercial solar, wind, biomass energy conversion, and landfill gas-to-energy fields.
 - Discuss if and how the insurer makes investments to support the transition to a low carbon economy.
 - As described above, the Company invests in the transition to a low carbon economy by: (a) embracing the digitization of the insurance industry and implementing a hybrid work model; (b) subleasing, returning, non-renewing, or selling unused or underutilized portions of its existing onsite locations; (c) incorporating the principles of conservation and climate resiliency in its physical plant operations and design; (d) revising its travel policies to encourage meetings and trainings using remote technology; (e) facilitating the use of recyclable or compostable single-use food containers supplies, as well as the use of reusable supplies, at its onsite locations; and (f) encouraging the use of energy conservation technology at its onsite locations. FFH directs and manages the Company's investment portfolio, with climate-related financial risks being a factor considered when making investment management decisions.
- C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.
- The Company adheres to a rigorous, long-term approach to manage and monitor its exposure to weather-related catastrophes, some of which may have increased in frequency or severity due to climate-related risk. The primary goal of the Company's risk management framework is to ensure that the outcomes of activities involving climate-related risk remained consistent with the Company's risk appetite and risk tolerance levels, while maintaining an appropriate balance between risk and reward. Although the Company's catastrophe risk models cannot accurately account for material risks arising

from specific degrees Celsius of warming global temperatures with a high level of confidence, the Company attempts to calibrate its catastrophe risk models to account for current and prospective climate conditions.

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.*
 - The Company relies upon the availability and quality of reinsurance, near-term catastrophe risk models, and written underwriting guidelines to manage the impact and underwriting exposure of climate-related risks upon the Company's underwriting portfolio. The Company accounts for aggregated risk due to climate-change on a group-wide basis via its Corporate Risk Committee and coordinated its activities with FFH's global risk committee. In addition, the Company relies upon the relatively short-terms of insurance policies most exposed to climate-related risks, such as property insurance. The Company evaluates, and intends to continue evaluating, liability risks arising from climate-related risk.
 - Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.*
 - The Company makes available to its insureds risk engineering recommendations and educational materials emphasizing safety, property preservation, and risk reduction, as well as the risks presented by weather conditions such as hurricane, tornado, hail, wind, storm surge, flood, extreme heat and cold, drought, and wildfire. The Company also relies upon risk-based pricing and avoidance to create market conditions incentivizing insureds to manage any of their physical and transition climate-related risks.
 - Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.*

FFH directs investments in Company's investment portfolio, with climate-related financial risks being one of the factors considered when making an investment management decision. FFH invests on a long-term basis in accordance with applicable insurance regulatory guidelines to ensure the preservation of invested capital for policyholder protection. Investments are made using a long-term value-investing approach, thereby investing in securities of companies and other entities at prices below their underlying long-term values to protect capital from loss and earn income over time and provide operating income as needed.
- 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.*
 - The Company's process for identifying and assessing climate-related risks relies upon the Company's existing enterprise risk management framework and those of its Corporate Risk Committee in coordination with FFH's global risk committee and enterprise risk management framework. The Company captures and assesses data from the following sources: (a) catastrophe risk models; (b) pricing signals from the reinsurance and primary risk marketplaces; (c) regulatory signals; and (d) feedback from loss control inspections. The Company conducted stress tests that assessed the financial implications of catastrophes.

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

The Company's enterprise risk management framework and Corporate Risk Committee take a group-wide approach to manage risk, including climate-related risk, in coordination with FFH's global risk committee and enterprise risk management framework. The Company uses modeling and judgment to assign a probability of a climate-related risk negatively affecting the underwriting performance of a business unit, with such climate-related risks being weighed against non-climate-related material risks relevant to the business unit, such as credit risk, market risk, and premium and reserve risk. The Company then seeks to balance the overall risks of the retained risk in the insurance portfolio to maintain profitability of the Company.

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.
 - The Company addresses climate-related risks through its existing enterprise risk management process and Corporate Risk Committee, in coordination with FFH's global risk committee and enterprise risk management framework. The Company's Corporate Risk Committee meets at least quarterly and often monthly.
- 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.
 - The Company conducts probabilistic analysis on a quarterly basis to stress test exposure to wind and severe convective storm. The Company endeavors to avoid the peril of wildfire.

- 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.
 - FFH directs and manages the Company's investment portfolio, with climate-related financial risks being one of the factors considered when making an investment management decision. FFH invests on a long-term basis in accordance with applicable insurance regulatory guidelines to ensure the preservation of invested capital for policyholder protection. Investments are made using a long-term value-investing approach, thereby investing in securities of companies and other entities at prices below their underlying long-term values to protect capital from loss and earn income over time and provide operating income as needed.

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.
 - The Company licenses models to evaluate hurricane and severe convective storm. The Company's reinsurance broker models wildfire exposure as part of the reinsurance placement process. The models assist the Company in endeavoring to avoid the peril of wildfire.
- 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)
 - The Company uses probable maximum loss modeling techniques and aggregation of limits exposed to assess and monitor potential catastrophic events, which includes climate-related physical risks.
- B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

- The Company does not collect data concerning GHG emissions. FFH intends to collect data concerning GHG emissions in 2023. A report on FFH's environmental, social, and governance performance is available [HERE](#).
- C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.
- The Company does not have targets for managing climate-related risks and opportunities.

OPTIONAL QUESTIONS

Closed-ended questions directly correspond to the narrative above, allowing for explanation and qualification of the yes/no answers. Closed-ended questions are voluntary for reporting year 2022 and individual states may elect not to request them.

Governance

- Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y/N) The Company does not respond to this optional question.
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y/N) The Company does not respond to this optional question.
- Does management have a role in assessing climate-related risks and opportunities? (Y/N) The Company does not respond to this optional question.
- Does management have a role in managing climate-related risks and opportunities? (Y/N) The Company does not respond to this optional question.

Strategy

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N) * The Company does not respond to this optional question.
- 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) The Company does not respond to this optional question.
- Does the insurer make investments to support the transition to a low carbon economy? (Y/N) The Company does not respond to this optional question.
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)* The Company does not respond to this optional question.

Risk Management

- Does the insurer have a process for identifying climate-related risks? (Y/N) The Company does not respond to this optional question.
 - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N) The Company does not respond to this optional question.

- Does the insurer have a process for assessing climate-related risks? (Y/N) The Company does not respond to this optional question.
 - If yes, does the process include an assessment of financial implications? (Y/N) The Company does not respond to this optional question.
- Does the insurer have a process for managing climate-related risks? (Y/N) The Company does not respond to this optional question.
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)* The Company does not respond to this optional question.
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)* The Company does not respond to this optional question.
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)* The Company does not respond to this optional question.
- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N) The Company does not respond to this optional question.
- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N) The Company does not respond to this optional question.

Metrics and Targets

- Does the insurer use catastrophe modeling to manage your climate-related risks? (Y/N) The Company does not respond to this optional question.
- Does the insurer use metrics to assess and monitor climate-related risks? (Y/N) The Company does not respond to this optional question.
- Does the insurer have targets to manage climate-related risks and opportunities? (Y/N) The Company does not respond to this optional question.
- Does the insurer have targets to manage climate-related performance? (Y/N) The Company does not respond to this optional question.

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