

California Department of Insurance

**INSURER CLIMATE RISK DISCLOSURE SURVEY  
For Calendar Year 2010**

**Due Date: May 1, 2011**

<b>Company Name:</b>	<b>State Compensation Insurance Fund</b>				
<b>NAIC No.</b>	35076	<b>NAIC Group No.</b>	0000	<b>Domiciled State:</b>	CA
<b>CA Direct Premiums Written</b>	\$1,140,202,785		<b>Nationwide Direct Premiums Written</b>	\$1,140,202,785	

<u>Survey Questions</u>	<u>Comparable CDP Questions</u>
<p>1. Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations? If yes, please summarize. <b>Answer:</b></p> <p>State Fund has established a sustainability program (“Go Green”) designed to reduce our emissions/carbon footprint related to daily operations. The program has made extensive changes to the operating procedures at State Fund facilities and has engaged in an extensive outreach/education program to our staff. State Fund also maintains a strong rideshare/public transit incentive program for all staff, including transit friendly placement of some of our largest offices. State Fund is on of the top participants overall with PG&amp;E and their rebate and energy efficiency programs.</p> <p>The “Go Green” program has generated cost savings and utility rebates. Some examples of State Fund activities under “Go Green” that have significantly reduced our environmental impact are listed below:</p> <ul style="list-style-type: none"> <li>• LEED Gold certified campus (Vacaville) including a data center, and use of LEED standards in all new construction projects, including diversion of construction waste.</li> <li>• Server virtualization project, which reduced 900 servers to 90, reducing our real estate footprint, energy consumption and carbon emissions.</li> <li>• Solar power has been installed on the Vacaville campus.</li> <li>• Re-lamping our facilities with energy efficient bulbs.</li> <li>• Automated shut-down of computers and peripherals after work hours.</li> <li>• Scheduling shut-down of lights, HVAC, and other building systems during non-business hours.</li> <li>• Participation in the utility’s demand response program, curtailing use at peak demand where geographically desirable.</li> <li>• Consolidation of staff within existing facilities to minimize HVAC and lighting needs, and consolidation of office locations to reduce real estate footprint. Significant planning for consolidation was made in 2010, with closing of several facilities planned for 2011.</li> </ul>	<p>Performance Question 21</p>
<p>2. Does the company have a climate change policy with respect to risk management and investment management? If yes, please summarize. If no, how do you account for climate change in your risk management? <b>Answer:</b></p>	

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<p>No. Responsibility for overall enterprise risk management centers on the Chief Risk Officer, with guidance of the Risk Committee (Executive Level), and supported functional expertise (Managerial Level). Climate change has not been deemed to represent a significant risk to normal State Fund operations.</p>	
<p>3. Describe your company’s process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications. <b><u>Answer:</u></b></p> <p>Such risks would be identified and discussed with respect to mitigation in the normal course of Risk Committee and supported functional expertise activities. The Board of Directors exercises ultimate responsibility for enterprise risk management for the organization and oversees the work of Chief Risk Officer and the Risk Committee. The State Fund has not issued a statement on our climate policy.</p>	<p>Risks and Opportunities Questions 1-3</p>
<p>4. Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks. <b><u>Answer:</u></b></p> <p>As a California workers’ compensation company, our catastrophe risk exposures are principally related to earthquakes and terrorism, which are not considered to be climate related. We would also be increasingly exposed to wildfire related injuries, although these are not of a magnitude approaching the above catastrophic risks, principally because wildfires typically start in more rural areas and people usually have time to evacuate exposed areas.</p> <p>We are, however, exposed to increasing heat related illnesses in our agricultural and construction accounts. From a financial perspective, we would expect increases in these illnesses to be incremental over time and thus manageable. Our Safety &amp; Health Services Department has primary responsibility for client education and loss control to help mitigate any increased risk of heat related illnesses.</p> <p>Over the longer term, climate change could have an impact on our California agricultural business, where State Fund has traditionally had a significant share of the overall market, but still only about 10% of our overall business.</p> <p>We have taken no action to limit geographic locations or industries because of climate related considerations, and we have not adjusted our pricing because of climate related issues.</p>	<p>Risks and Opportunities Questions 1-3</p>

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<p>5. Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken.</p> <p><b><u>Answer:</u></b></p> <p>No. We have not considered the impact of climate change on our investment portfolio, primarily because the conservative nature of our authorized investment options automatically minimizes potential exposure.</p>	<p>Risks and Opportunities Question 3: "Other Risks" Question 6: "Other Opportunities"</p>
<p>6. Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.</p> <p><b><u>Answer:</u></b></p> <p>Our Safety &amp; Health Services Department, in collaboration with Cal OSHA and the California Farm Bureau Federation has a very active Heat illness education program, including seminars and materials in both English and Spanish.</p> <p>Underwriters have discretion in Merit Rating accounts of over \$25,000 in premium, as well as offering a Claim Free Credit for smaller accounts. The existence and quality of an employer's safety program would typically be a consideration in such underwriting decisions.</p>	<p>Risks and Opportunities Questions 4-6</p>
<p>7. Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.</p> <p><b><u>Answer:</u></b></p> <p>In addition to our efforts at policyholder education, the State Fund supports industry research groups such as the California Workers Compensation Institute and the Workers Compensation Research Institute. Although these organizations have not focused on climate related research thus far, should potential risks become imminent for the industry, these organizations are the logical means by which the topic would be elevated into active discussions among key constituencies.</p>	<p>Governance Questions 24, 26, 27</p>
<p>8. Describe actions your company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling.</p> <p><b><u>Answer:</u></b></p> <p>The State Fund has not used computer modeling to manage the risks climate change poses to our business.</p>	<p>Risks and Opportunities Questions 1-3</p>