

NAIC Number: 32921  
Company Name: ISMIE Mutual Insurance Company  
Line Of Business: Property & Casualty  
Group Number: 2358  
Group Name: ISMIE Mutual Insurance Company

### **Climate Risk Disclosure Survey Response**

#### **Responses are in RED.**

#### **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.

ISMIE Mutual Insurance Company "ISMIE and/or the Company" has several methods of sharing its goals on climate-related risks and opportunities. The goals are shared with employees, Vendors, and state regulators.

ISMIE's Code of Conduct and Ethics, provided to all employees and Board Members, provides that ISMIE remains dedicated to upholding the highest standards of business conduct. ISMIE remains prepared to meet the challenges faced due to the market changes and uncertainty by remaining committed to Do What is Right, Not What is Easy. Our staff strives to make sound and ethical choices that serve our policyholders, improve our Company, and inspire others. ISMIE's Annual AM Best Presentation (Presentation) outlines ISMIE's Environmental, Societal and Governance (ESG) initiatives throughout the last year. The Presentation states that in relation to its investments, ISMIE has begun evaluating the Environmental, Social, and Governance Key Performance Indicators (EKPIs) on its investment portfolio and will continue to consider these factors as it aligns with the overall investment strategy.

Due to the controlled risk framework within which the Company operates, the investment portfolio is constructed to withstand a volatile capital market environment that could result if climate events were to impact the planet. Annually, stress tests are conducted to understand how the portfolio will perform under several interest rate shock scenarios. These are reviewed to determine if any action should be taken. ISMIE recognizes the existence of additional risks present in its industry and assesses and incorporates that risk into the investment portfolio. In addition, the investment portfolio is well diversified by sector, subsector and issuer due to risk management constraints placed on the managed portfolio.

- 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.

Climate-related disclosures are handled at a combination of the group level and at the entity level. Climate-related initiatives and disclosures are handled at group level by ISMIE's efforts to respond to required disclosures and provide a safe and healthy work environment to all employees and vendors that come into ISMIE's offices. They are also handled at group level by ISMIE's efforts to bring about more sustainability and reducing its environmental impact in its physical space. Climate-related initiatives and disclosures are handled at entity level through ISMIE's investment activity. ISMIE has begun evaluating the Environmental, Social, Governance Key Performance Indicators (EKPIs) on its investment portfolio and will continue to consider these factors as it aligns with the overall investment strategy.

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.

ISMIE's risk management culture starts at the top and cascades throughout the entire organization. Risk management is discussed in a common language which enables collaboration on risk management issues across the organization.

ISMIE's Board of Directors set the tone to create a strong risk-aware culture, ensuring risk management is an integral part of the fabric of our organization. The Board remains apprised of risk management efforts and outcomes on an ongoing basis and reviews and approves corporate actions, including corporate risk management strategy decisions. Climate-related financial risks are not specifically identified in the reports but where applicable are included in such reporting. In addition, Board-appointed committees focus on specific areas of significant risks, such as our Policyholder Review Committee (PRC), Claims & Underwriting Committee, and Risk Management Committee (RMC).

The Compliance and Enterprise Risk Management (CERM) Committee is responsible for coordinating and refining the risk management framework utilized throughout the organization. The Company's Enterprise Risk Management (ERM) program is a multi-faceted process designed to create a risk-aware culture in order to identify, evaluate and mitigate the risks which represent threats to our organizational goals in an integrated and holistic fashion. The Board, through its delegation to the CERM Committee, coordinates and refines the risk management framework throughout the enterprise.

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

Executive leadership defines success and provides direction for prioritization, multidisciplinary accountability and organizational readiness. Clear directives by executive leadership ensure risk

management is an integral part of the organization. Climate-related risks and opportunities are not specifically identified but incorporated in the management of any activities where applicable.

The CERM Committee is comprised of representatives from across the enterprise to ensure that risks are being captured from all business perspectives. The CERM Committee is also responsible for the oversight and monitoring of the risk mitigation practices throughout the organization, including monitoring the effectiveness of our overall risk management program and the ongoing reporting of key metrics to executive leadership and the Board. Accordingly, the CERM Committee is responsible for executing the enterprise risk management assessment, which is conducted annually to identify, evaluate and mitigate risks in an integrated fashion at each level of the organization. Division heads are each responsible for implementing, identifying and managing risk management practices within their divisions. Division heads develop, monitor and report performance and risk indicators for their division to ensure the divisional efforts align with the ERM framework. Internal and external experts work together with division heads to audit risks within the divisions.

## **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.\*

ISMIE encourages its key constituents, which are its policyholders (which are primarily medical practitioners), to participate in industry specific climate conservation projects such as the Company sponsored prescription medicine collection to reduce water supply contamination. ISMIE has not taken specific steps to engage its key constituencies on the general 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.\*

In regard to sustainability, ISMIE has taken several measures in order to reduce its environmental impact in its physical space. ISMIE is the majority owner of the building in which its headquarters is located. The building employs motion-sensor light controls and L LED T8 & T5 light bulbs in order to conserve energy and promote an environment of energy conservation. All restrooms in the building are equipped with water conservation touchless flush valves. Toilets are 1.6 GPM (Gallons per Flush) and Urinals are 1 pint per flush. All restrooms utilize hand free metered faucets with a 0.50 per minuet gallon rating. In addition, restrooms use metered hand towel dispensers, reducing hand towel waste and coreless stall paper products. ISMIE provides water coolers, throughout the building, to promote water conservation. The building contains a boiler system that uses natural gas, which in turn cuts emissions by approximately twenty percent. The boilers are a condensing system that uses 5 to 1 turn down ratio which allows for efficient operation. The boiler water is a reset system, resulting in the water temperature continuously resetting with

outside temp. The building has also upgraded the BAS system (building automation system) to create efficiencies and reduce energy use. The building has introduced retro-commissioning and installed variable frequency drives on all appropriate systems to reduce energy. 20 North Michigan uses 100% green energy. Through its recycling efforts, the building also diverts about 41% of materials from ending up in landfills. These recycling efforts, in 2022, have conserved the following number of resources: 23, 396 KW-hrs of electricity; 597 gallons of oil; 41,440 gallons of water; 142 gallons of gasoline, 22 cubic yards of landfill airspace, and 106 mature trees.

ISMIE's HVAC and ventilations systems, were previously renovated to reduce carbon emissions by approximately thirty-five percent. ISMIE recycles plastic bottles, aluminum cans, and paper. ISMIE also recycles all of its electronic devices and utilizes biodegradable paper for the printers and biodegradable paper products for the kitchens and restrooms. ISMIE is predominately a paperless organization and various forms of electronic payment options are encouraged. There are a variety of initiatives being implemented or considered that will reduce the mailing of paper to policyholders.

The Springfield office has updated the light fixtures throughout the interior of the building with LED light fixtures. The ISMIE Springfield office building has their own recycling program and ISMIE is included in the electronic device recycling program out of the Chicago office.

ISMIE's Vendor Management Program, includes a Vendor Code of Conduct and Ethics (Vendor Code) which will be shared with vendors, and states that ISMIE is committed to providing a safe and healthy work environment, and expects vendors to comply with all applicable safety and health laws, rules and regulations in the countries in which they operate. The Vendor Code also states that ISMIE is committed to adhering to all federal, state and local laws rules, regulations and requirements in all of its business activities. All vendors are expected to conduct their business activities in compliance in accordance with all applicable requirements.

A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.

ISMIE's current anticipated exposure to climate change is limited to the potential disruption of its business operations due to damage of, or destruction to, its two office locations due to weather related incidents or other catastrophes. ISMIE developed and maintains a Business Continuity Plan in order to respond to any potential business disruption. The company has not specifically identified current or anticipated risks that climate change will pose to the Company.

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 1-5years as short term, 5-10years as medium term, and 10-30years as long term.

The Company's Enterprise Risk Management Assessment does not specifically identify climate related risks and opportunities. The assessment categorizes risks by short, medium, or long-term. Rather, risks are identified as strategic, market, credit, underwriting, operational, or cyber risks.

As part of the Enterprise Risk Management Assessment process, a Residual Risk Management Plan (RRMP), consisting of the top risks, is created each year and shared with the Board of Directors. The RRMP includes the identified risks, the controls in place for the identified risks, the recommended action in regard to the identified risks and actions taken in regard to the identified risks. The RRMP is reviewed quarterly by the Compliance and Enterprise Risk Management Committee (CERM) in order to continuously monitor the identified risks throughout the year.

B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.

Due to the nature of our business, the potential impact of climate-related risks and opportunities on ISMIE's business, strategy and financial planning is limited and has not been specifically identified. With respect to business and strategy, ISMIE has an overall Enterprise Risk Management Program, which incorporates all risks faced by the Company. ISMIE's Board of Directors sets the tone to create a strong risk aware culture, ensuring risk management is an integral part of the fabric of our organization. The Board remains apprised of risk management efforts and outcomes on an ongoing basis and reviews and approves corporate actions, including corporate risk management strategy decisions. To identify and mitigate possible risks, ISMIE utilizes catastrophe models and has instituted appropriate underwriting and growth plans. ISMIE's Investment Management Policy is integrated into our overall corporate strategy.

With respect to financial planning, ISMIE has not altered its investment strategy solely due to the impact of climate related risks. Due to the controlled risk framework within which the Company operates, the investment portfolio is constructed to withstand a volatile capital market environment that could result if climate events were to impact the planet. Annually, stress tests are conducted to understand how the portfolio will perform under several interest rate shock scenarios. These are reviewed to determine if any action should be taken. ISMIE recognizes the existence of additional risks present in its industry framework (i.e. regulatory, litigation, etc.), and assesses and incorporates those risks into the investment portfolio. In addition, the investment portfolio is well diversified by sector, subsector and issuer due to risk management constraints placed on the managed portfolio. ISMIE believes a well-diversified portfolio is our best defense against such occurrences.

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.

Due to the nature of ISMIE's business as a professional liability insurer, ISMIE does not provide products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk at this time.

- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

ISMIE has begun evaluating the Environmental, Social, Governance Key Performance Indicators (EKPIs) on its investment portfolio and will continue to consider these factors as it aligns with the

overall investment strategy. Due to the controlled risk framework within which the Company operates, the investment portfolio is constructed to withstand a volatile capital market environment that could result if climate events were to impact the planet. Annually, stress tests are conducted to understand how the portfolio will perform under several interest rate shock scenarios. These are reviewed to determine if any action should be taken. ISMIE recognizes the existence of additional risks present in its industry and assesses and incorporates that risk into the investment portfolio. In addition, the investment portfolio is well diversified by sector, subsector and issuer due to risk management constraints placed on the managed portfolio. ISMIE does not currently make investments specifically 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.

Not applicable to our current strategy.

### **Risk Management**

3. Disclose how the insurer identifies, assesses, and manages climate-related risks.

ISMIE has an established Enterprise Risk Management process to identify and assess risks affecting the Company. Due to the nature of ISMIE's business as a professional liability insurer, the Company does not currently have significant exposure to climate change risks and therefore has just begun to identify, assess, or manage climate-related risks. Identification and assessment of climate related risks are incorporated into our overall Enterprise Risk Management Program (ERM Program).

The ERM Program is implemented through the performance of an annual Enterprise Risk Management Assessment (ERMA) to identify, evaluate and mitigate risks in an integrated fashion at each level of the organization. The ERMA process is performed in four stages that concurrently build upon one another to identify, assess, and manage the Company's risks. The ERM plan document requires the results and efforts of the ERMA process be provided to Executive Management and the Board for their review and approval on an annual basis.

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.\*

ISMIE utilizes MPL specific catastrophe models to identify the short and long term historic data as well as future projections, to identify areas of concern and set appropriate risk limits, underwriting guidelines, growth plans and programs to reduce policyholder losses. These losses are considered in preparing financial forecasts. The Company **does not** specifically consider 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.\*

As previously described, due to the nature of our business, ISMIE encourages its policyholders, which are primarily medical practitioners, to participate in industry specific climate conservation projects such as the Company sponsored prescription medicine collection to reduce water supply contamination. ISMIE also encourages its policyholders to receive their policy documents and correspondence electronically to reduce their environmental impact.

- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.

ISMIE has not altered its investment strategy solely due to the potential impact of climate change. Due to the controlled risk framework within which the Company operates, the investment portfolio is constructed to withstand a volatile capital market environment that could result if climate events were to impact the planet. ISMIE recognizes the existence of additional risks present in its industry framework (i.e. regulatory, litigation, etc.), and assesses and incorporates that risk into the investment portfolio. In addition, the investment portfolio is well diversified by sector, subsector and issuer due to risk management constraints placed on the managed portfolio. ISMIE believes a well-diversified portfolio is our best defense against such occurrences.

#### A. Describe the insurers' processes for identifying and assessing climate-related risks.

Risks are identified by ISMIE's Enterprise Risk Management process. Identification and assessment of climate related risks where applicable are incorporated into our overall Enterprise Risk Management Program.

Risks are identified and classified according to their risk type, impact, severity, and known controls. The risks are then reviewed, analyzed, and synthesized. The strength of the controls in place are evaluated and the risks are sorted according to their "inherent risk score" and their "residual risk score". These results are used to create heat maps and revise the Enterprise Risk Management Program document and create the Annual Residual Risk Management Plan that is shared with the Board for review and approval.

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 Enterprise Risk Management Assessment (ERMA) process is performed on an annual basis. The process includes an assessment of the financial implications of the risks identified by considering the likelihood and severity of each risk. The likelihood determination includes the review of a specific set of parameters to identify how likely a risk is to occur. The severity determination includes the review of a specific set of parameters to identify if a risk where to be realized the potential financial, regulatory, reputational, and operational impact it would have on the Company.

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

ISMIE's climate-related risks are not yet specifically identified and are instead managed the same way as all risks identified by the Enterprise Risk Management Assessment (ERMA) process. ISMIE creates an annual Residual Risk Management Plan (RRMP), which incorporates the top risks identified by ISMIE. Any climate-related risk, which is rated as a top risk would be listed on the RRMP with the controls in place for the identified risks, the recommended action in regards to the identified risks, and actions taken in regards to the identified risks. The risks identified in the RRMP are monitored throughout the year.

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.

ISMIE's climate-related risks are not specifically identified as part of ISMIE's enterprise wide Enterprise Risk Management Assessment (ERMA) process. However, where applicable they are considered as part of the identified risks.

- 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.

ISMIE looks at short and long term historic data as well as future projections to identify areas of concern and set appropriate underwriting guidelines. ISMIE does not specifically utilize climate scenarios to analyze its underwriting risks.

- 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.

Due to the controlled risk framework within which the Company operates, the investment portfolio is constructed to withstand a volatile capital market environment that could result if climate events were to impact the planet. Annually, stress tests are conducted to understand how the portfolio will perform under several interest rate shock scenarios. These are reviewed to determine if any action should be taken. ISMIE recognizes the existence of additional risks present in its industry and assesses and incorporates that risk into the investment portfolio. In addition, the investment portfolio is well diversified by sector, subsector and issuer due to risk management constraints placed on the managed portfolio. ISMIE does not specifically utilize climate scenarios to analyze risks on its investments.

### **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.

ISMIE does not utilize any common catastrophe models to manage the climate related risks. ISMIE performs model catastrophe losses on our MPL segment, but it is not dependent on a weather-related event.

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)

ISMIE does not specifically utilize metrics to assess climate-related risks and opportunities in line with its strategy and risk management process.

B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

**Scope 1** – ISMIE as a professional liability insurance company operates in two building spaces which it owns. The Company has both in office and remote staff. The Company does not manufacture any items in their office space. The Company does not own any Company vehicles. The Company contracts out the building maintenance to a third party that manages the facilities including boilers and HVAC.

While ISMIE does not currently formally measure the emissions surrounding the applicable activities in Scope 1, we are aware that ISMIE's HVAC and ventilations systems, were previously renovated to reduce carbon emissions by approximately thirty-five percent. In regard to sustainability, ISMIE has taken several measures in order to reduce its environmental impact in its physical space. ISMIE is the majority owner of the building in which its headquarters is located. The building employs motion-sensor light controls and LED T8 light bulbs in order to conserve energy and promote an environment of energy conservation. All restrooms in the building are equipped with water conservation handles and ISMIE provides water coolers, throughout the building, to promote water conservation. The building contains a boiler system that uses natural gas, which in turn cuts emissions by approximately twenty percent. The building has also upgraded the BAS system (building automation system) in order to create efficiencies and reduce energy use. The building has introduced retro-commissioning and installed the variable frequency drives throughout the building to reduce energy. Through its recycling efforts, the building also diverts about 41% of materials from ending up in landfills. These recycling efforts, in 2022, have,

conserved the following number of resources: 23, 396 KW-hrs of electricity; 597 gallons of oil; 41,440 gallons of water; 142 gallons of gasoline, 22 cubic yards of landfill airspace, and 106 mature trees.

**Scope 2** - In order to maintain the building spaces, ISMIE utilizes public electricity, gas, and water companies to provide these services. While ISMIE does not currently formally measure the emissions surrounding the applicable activities in Scope 2, ISMIE has taken several measures in order to reduce environmental impact as described previously in this report.

**Scope 3** - While ISMIE measures greenhouse gas (GHG) emissions and the related risks informally through the reports provided by its investment advisor, it is not tracked or measured formally to provide the requested information.

C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

As of yet, ISMIE has not set specific targets to manage climate-related risks and opportunities. ISMIE has begun evaluating the Environmental, Social, Governance Key Performance Indicators (EKPIs) on its investment portfolio and will continue to consider these factors as it aligns with the overall investment strategy. ISMIE has also taken several measures in order to reduce its environmental impact in its physical space. ISMIE is the majority owner of the building in which its headquarters is located.