

NAIC Number: 16825

Company Name: Branch Insurance Exchange

Due: 8/31/2024

*Responses will be published publicly as soon as they are submitted

Question 1 - Governance

1. Disclose the insurer's governance around climate-related risks and opportunities.

In disclosing the insurer's governance around climate-related risks and opportunities, insurers should consider including the following:

- Identify and include any publicly stated goals on climate-related risks and opportunities.
- Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

- Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.

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

Response: Branch Insurance Exchange is a reciprocal exchange managed by the legal entity Branch Financial, Inc. as an attorney-in-fact. Branch Financial has been recognized as a certified B-Corporation due to our commitment to social and environmental excellence. The exchange has been operating since 2020 but has seen the most significant growth in the past 24 months. The management structure consists of an executive leadership council which regularly meets to determine the overall strategy and business position for the exchange. Branch Financial is also accountable to a board of directors which regularly meet to determine the best interests of all stakeholders.

Product Managers, analysts, and other entities regularly review the performance and loss trends for our book of business. The analysis collected is reviewed relative to our historic loss performance, anticipated future loss trends, and industry projections. Loss trends that are related to changing weather or climate models are discussed with our senior management and leadership team to determine their influence on our overall exposure management strategy.

These trends could be unique catastrophic weather events, auto or home frequency changes, or severity shifts due to shifting climate conditions since our program's inception or last revision. Our management and leadership team then collaborate across the organization to determine how best to address these concerns. Potential changes include adjusting rates, product offerings, changing risk segmentation, or making adjustments to our underwriting guidelines.

Question 2 - Strategy

2. Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.

In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:

- Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency.
- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.

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

In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:

- Define short, medium, and long-term, if different than 1-5 years as short term, 5-10 years as medium term, and 10-30 years as long term.

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

In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:

- Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.
- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

Response: The leadership team considers environmental, social, and overall corporate governance when determining the impact of climate changes. These factors are considered along all of our operational areas and relate to key risk management departments: Product and Pricing, Claims, Sales, Finance, Legal and Compliance, and Technology. Key management positions hold ongoing discussions about preventing and mitigating critical climate risk-related items facing the organization and how to best deploy our capital to protect our members.

Our underwriting and pricing methodologies have generally favored low-catastrophic propensities in both geographic and pricing segmentations. We have also utilized a Direct and Agency focused distribution channel that accommodates a small physical business footprint and overall reduced climate impact strategy relative to our similarly sized competitors.

Additionally, we have implemented a natively remote working environment that emphasizes reduction in travel, emissions, and other ancillary outputs. We also regularly survey the employees of the company to determine their overall climate impact relative to the business and make strategic adjustments based on the results and analysis of other market and climate trends.

We also continue to promote a fully paperless transaction when possible to minimize the need for wasteful document printing, mailing, and other processing tasks. These efforts have allowed us to operate at a low climate impact that has been recognized by our recent B-Corp certification.

Question 3 - Risk Management

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

In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

- Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.

- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.

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

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

In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:

- Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.

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

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.

In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

- Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.

- Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.

- Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

Response: We have developed a leadership and management structure that is responsible for identifying and assessing specific risks and risk categories. This structure allows for all parts of the organization to determine potential issues related to climate change and implement tactical responses that mitigate their impact to the business.

Many of our initiatives addressing the climate impact of our business were rooted in the initial program and business design. These include our emphasis on paperless policy and claims handling, robust usage based pricing program, deliberate geographic segmentation and pricing philosophy, and an internal claims process that emphasizes remote and low impact handling practices. We have also leveraged our partnerships in the reinsurance market to ensure adequate risk management for a variety of climate outcomes.

Question 4 - Metrics and Targets

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: The leadership team continually meets and analyzes updated climate information to determine potential impacts on the business and in setting future goals and targets. Loss trends that relate directly to climate change factors, such as changing weather patterns or increasing catastrophic losses, are discussed with senior leadership and our Board to determine their influence and prioritize the need for future modifications of business practices or processes.

Our native remote strategy, unique distribution channels, and emphasis on paperless business transactions with customers and vendors, substantially lessens our carbon footprint. We also review all information, including annual statements and climate impact reports, for any partnership agreement to determine their suitability within our own climate mitigation strategy. Our overall climate strategy is informed by multiple internal and external data sources including catastrophe models with a variety of potential outputs.

We currently operate two small offices, one in Columbus, Ohio and one in Chicago, Illinois. We have not determined any substantial climate risk that would materially impact these locations from a risk management perspective that is not already mitigated through our other risk management actions.

Branch is committed to making a positive impact through our organization, operations, and mission to make insurance more affordable and bring back the original intent of building a community that is a force for communal good. Due to the relatively small size of our

organization, specific climate metrics are not feasible given our data and resource constraints. However, we have committed to producing a full ESG report as soon as the functions mature enough for the work to become feasible and material.