

2024 SUBMITTED ANSWERS

GENERAL INFORMATION

1. NAIC Number: 18309
Company Name: Pioneer State Mutual Insurance Company
Group Name: Not Applicable
Group Number: Not Applicable
Contact Person Name: Travis Emmons, CIC CPCU
Contact Person Email: temmons@psmic.com

GOVERNANCE

2. Does the insurer have publically stated goals on climate-related risks and opportunities? (Y/N)
3. Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y/N)
4. Does management have a role in assessing climate-related risk and opportunities? (Y/N)
5. Does management have a role in managing climate-related risk and opportunities? (Y/N)

NARRATIVE - 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.

Pioneer State Mutual Insurance Company ("Pioneer") does not have publicly stated goals on climate-related risks and opportunities. Climate-related risks are handled at the entity level as part of Pioneer's Enterprise Risk Management (ERM) process.

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STRATEGY

6. Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/**N**)
7. 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)
8. Does the insurer make investments to support the transition to a low carbon economy? (Y/**N**)
9. Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/**N**)

NARRATIVE: 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.*i
- 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 1-5years as short term, 5-10years 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.

Pioneer is a relatively small insurer. No specific climate action plan exists and no specific climate action engagement has taken place. However, Pioneer has taken steps in our operations that address climate-related issues:

- The company has reduced employee in-office days to 3 per week. This has reduced the auto emissions and fuel consumption for commuting for most employees by 40% along with a relative reduction in utility usage at the home office building.
- Document review is paperless and managed through electronic filing and electronic document management system.
- Marketing material is made available through shareable mobile-friendly links rather than exclusively as printed paper flyers.

DRAFT

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- The company offers policyholders the option to “Go Green” and receive all correspondence and policies electronically, which significantly reduces the amount of physical paper used by the company and the emissions/fuel for physical paper delivery.
- The company’s office has water fountains equipped for refillable water bottles as well as paper and plastic recycling programs. LED lighting fixtures have been installed in the office and parking lot when possible. Other energy efficient features are incorporated into the building as remodeling takes place.

Climate change risks material to Pioneer in the short, medium, and long term are tied to climate change’s effect on the frequency and severity of weather events which cause covered property losses. This is a gradual process which Pioneer addresses through regular rate reviews.

In the long-term Pioneer recognizes the risk of Climate Change to the company’s business. Pioneer seeks to stay ahead of long-term Climate Change risk by taking appropriate rate action in the short and medium term, monitoring Climate Change issues such as increased Forest Fire or Flooding that affect our book of business, and appropriately accounting for such change in our rates and products.

Pioneer is also a member of NAMIC, which engages policymakers and other key constituents on resiliency-based solutions to climate risk. NAMIC has backed measures such as the Resilient AMERICA Act (2022) and the Building Resilient Infrastructure and Communities (BRIC) Program that was passed in 2018 as part of the Disaster Recovery Reform Act (DRRA).

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RISK MANAGEMENT

10. Does the insurer have a process for identifying climate-related risks? (Y/N)
11. If yes, are climate-related risks address through the insurer's general enterprise-risk management process? (Y/N)
12. Does the insurer have a process for assessing climate-related risks? (Y/N)
13. If yes, does the process include an assessment of financial implications? (Y/N)
14. Does the insurer have a process for manage climate-related risks? (Y/N)
15. Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)
16. Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)
17. Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)
18. Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N)
19. Has the insurer utilized climate scenarios to analyze their investment risks? (Y/N)

NARRATIVE: 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.

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Pioneer recognizes that insufficient management of environmental factors can negatively impact the business and seeks to manage these risks through the ongoing ERM and rate change processes.

Climate-related risks are identified as part of the Management Team Risk Review process. Risk Review documents and the ERM plan are reviewed by the Management and the Board of Directors and appropriate Board Committees. This process is performed on an annual basis.

Pioneer's physical property consists of a well-maintained, modern brick building with a hardened emergency operations center. Climate risk does not appear to pose a challenge to our physical location. Suppliers are generally knowledge-based vendors and no physical climate-related risk is expected to impact their ability to provide the services we require.

Climate-related risk is reflected in the Underwriting portfolio through frequent rate reviews. Policyholders are encouraged to manage their own climate-related risk through financial incentives for those that manage their loss exposures, including climate-related risks. Marketing material, company blog posts, and social media campaigns are targeted to our insureds and provide information such as how to assess a home for storm-preparedness.

Pioneer's Investment Policy is primarily focused on larger index funds and does not specifically avoid or target climate-related investments. As companies included in the S&P 500 address climate risk, Pioneer's investment portfolio will naturally follow.

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METRICS AND TARGETS

20. Does the insurer use catastrophic modeling to manage your climate-related risks? (Y/N)
21. Does the insurer use metrics to assess and monitor climate-related risks? (Y/N)
22. Does the insurer have targets to manage climate-related risks and opportunities? (Y/N)
23. Does the insurer have targets to manage climate-related performance? (Y/N)

NARRATIVE: 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.

Pioneer has not adopted targets or metrics specific to climate-related risks or opportunities.

Pioneer's normal rate change process functions as a natural mitigating factor to the gradually increasing losses which are expected to result from climate change. Normal rate reviews account for the trends of both past incurred losses and future changes to loss trends which may be impacted by climate change.

Catastrophic (CAT) loss likelihood is factored into these rate reviews and also considered at the entity level as part of reinsurance decisions. Pioneer performs both internal review of CAT losses and predictions as well as review of CAT models and predictions provided by outside vendors and reinsurers.