2023 NAIC Climate Risk Survey Questions

NAIC # - 15261

Company Name - Society Insurance, a mutual company

Line Of Business – Commercial Property and Casualty Insurance

Group Filing - N

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Theme	Question	2023 Survey Final Response
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.	Society Insurance has an Enterprise Risk Management (ERM) program, which has incorporated climate change risks within our identified corporate risks. Society does not have a policy directed specifically towards climate risk. Society's ERM program is led by the Director, Risk Management & Compliance within the Legal Department in coordination with the ERM Executive Committee, which includes strategic, insurance, investment, and operational risks. The ERM Executive Committee monitors and reports to the Audit committee of the Board of Directors quarterly to discuss Tier 1 risks or other Tiered risks that have presented in a negative trend over two consecutive quarters. The VP, General Counsel and Corporate Secretary along with the Vice President of Finance reports regularly to the Audit Committee regarding climate-related operational and financial risks. Additional Executives routinely provide reporting to the audit committee and Board of Directors on enterprise risks annually. The Executive Team meets monthly to report on their departments, and discuss emerging issues, as necessary. The Executive Team also maintains a daily huddle that allows for high priority issues to are discussed quickly and efficiently. Climate related risks and opportunities are part of discussions with the CEO/President as needed and are regularly monitored by Executives in all departments. The Executive Team participates in the more comprehensive ERM strategic process annually. Additionally, beginning in 2022, Society annually produces an ESG report to assist in discussions with our shareholders and Board of Directors, A.M. Best, and others as needed.

	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.	
Strategy	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:	A. Society Insurance writes property and casualty lines of business in eight states, mostly in the Midwest. The exposure to tornados, other wind risk, hail and ice storms has the greatest impact on Society's business. To mitigate the financial impact Society has a multi-tiered reinsurance program based on catastrophic modeling, which produces the probable maximum losses under various scenarios. The scenarios have different degrees of stress testing completed in various timelines to assure Society's Executive team are aware and assets are protected for the benefit of policyholders. B. Climate change poses the risk of deteriorating loss experience resulting from increased frequency and/or severity of significant natural disasters. Any impact of climate change on the company's loss experience would be implicitly considered as part of the ongoing pricing analysis that is performed. Such an increase in weather-related events could adversely affect the results of operations, our risk appetite, reinsurance buying decisions and the capital position of the company. Tornado, other wind risk, hail and ice storms impact the Midwest where the company has much of its business. To ensure Society has planned appropriately for operational, strategic, and financial risks and in addition to the risk strategies noted above (e.g., catastrophe modeling, reinsurance, etc.). the company has incorporated extreme weather event scenarios within our business continuity/disaster recovery planning. C. Society Insurance supports and participates in federal trade association (APCIA and NAMIC) initiatives to engage key constituencies on the topic of climate change risk and resiliency. Additionally, Society continues to invest with an asset manager who incorporates ESG criteria into their investment process and reports on related ESG items as requested by Society as part of the ERM program within the company.

	• 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.	
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.	Society Insurance has an Enterprise Risk Management program, which includes strategic, insurance, investment, and operational risks. The ERM framework includes processes around the identification, assessment, and management of risks which encompass climate-related risks. The ERM process involves identification, evaluation, monitoring, and reporting on the risks and effectiveness of risk mitigation activities. Annually, the program is reviewed by the Executive Team during the strategic planning and financial planning processes and includes feedback from strategic planning discussions with all cross functional leadership of current risk indications and emerging risks. Annual metrics are identified and monitored each quarter to assure enterprise risks are identified early and actions plans are put into place on a timely basis. Risk evaluation is completed annually through catastrophe modeling and the company utilizes output from both Risk Management System (RMS) and AIR Worldwide Corporation (AIR) to analyze exposures to natural catastrophes. The results of this modeling are used in significant decision making; including evaluation of exposure concentration, potential loss scenarios, overall risk exposure, and in the development of the company’s reinsurance program. Natural catastrophe risk is assessed in several ways. First, catastrophe models are used to understand loss potential by peril for insured exposures. Multiple models are run, and results are analyzed. Second,

	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.	exposure accumulation analysis is completed to understand the geographic areas with large exposure to weather or other events. Society has a robust framework for the management of natural catastrophe risk. The primary means to mitigating exposure to natural catastrophes is through reinsurance. Society has multiple tiers of reinsurance treaties in place with financially sound reinsurers. The structures of these reinsurance treaties are guided by catastrophe modeling results, reinsurance brokers, and the Reinsurance Committee. Society Insurance has contracted Conning to manage the investment portfolio. Conning considers internal and external factors that would affect the ability of issuers to repay debts, remain competitive and maintain a strong financial position. Climate change issues, other environmental and legal scenarios are part of that consideration in analyzing industries and issues. Conning provides reporting to Society to demonstrate ESG consideration within the investment portfolio. Conning is a signatory to the United Nations Principles for Responsible Investments (UNPRI) group and climate change is one focus of the group. Society Insurance encourages policyholders to reduce potential losses attributable to climate-influenced events. We have a section of our website focused on loss prevention and risk control. Society uses social media, blogs, and targeted mailings to agents and policyholders regarding preparation for winter and summer storm seasons, etc. Society has a strategic plan to diversify our risks by expanding into states with differing weather exposures over a rolling 5-year period. In addition, Society's business strategy and risk management policies restrict writing business within several hundred miles of the coastline in hurricane-prone states.
Metrics and Targets	4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.	Society utilizes catastrophic models to manage weather related risks. Metrics and key performance indicators (KPIs) are derived from the results of catastrophic modeling, strategic planning, and financial modeling. The risk evaluation is completed annually, and the company

	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.	utilizes output from both Risk Management System (RMS) and AIR Worldwide Corporation (AIR) to analyze exposures to natural catastrophes. The results of this modeling are used in crucial decision making, including: • Evaluation of exposure concentration, potential loss scenarios, overall risk exposure, and in the development of the company's reinsurance program. • Comparisons of actual catastrophe loss compared to modeled catastrophe loss on a direct (prior to reinsurance) basis. • Comparing the modeled 1-in-250-year probable maximum loss (PML) on a net (after reinsurance) per-occurrence pre-tax basis to policyholder's surplus. ERM tolerances have been established around this metric and it is monitored quarterly. • An evaluation of the return period (or PML) at the top end of the reinsurance program utilizing multiple catastrophe models to ensure adequate protection by the program. Society Insurance has initiatives in place that assess, reduce, and mitigate emissions in our operations. These include policies on how we manage our facilities. Society upgraded all lighting to LED. These lights come with the ability to be programmed and have motion sensors to reduce energy usage. Restrooms have touchless water faucets to conserve water usage. Society also has garbage and recycling receptacles in a central location on each wing of the building to reduce the usage of plastic bags annually. Society's technology platform is also focused on changes to reduce the usage of energy. •Society has installed a HVAC system in the data center that provides the benefit of "Free Cooling" for about 70% of the time throughout the year using outside air to cool the data center. Also, we have added cold aisle containment to the data center which reduces the total amount of cooling needed. This containment also allows us to run the HVAC at slower fan speeds which also improves efficiency.

		•Society continues to replace existing equipment with the latest hardware designs that have increased energy efficiency. An example includes our Storage Area Network (SAN). The latest update moved from mechanical disk drives (spinning disks) to solid state drives, which are more efficient. Over the past year we have refreshed the SAN and VDI infrastructure with the newer equipment being more energy efficient. •Society has also replaced all desktop computers with thin client solutions, which uses less energy. Server refreshes within our data centers are routinely completed, improving power efficiencies. •Society has implemented a change to desktop monitors to force sleep mode when there is no activity, creating annual energy savings of approximately 165,000 kWh. Society Insurance has had a telecommuting program since 2014 and has annually increased the number of telecommuters to continue to reduce costs and eliminate the need to increase building size. This action has increased the ability for Society to use its assets to invest further in cost saving measures that complement climate risk concerns over time. As a result of the coronavirus pandemic, which began in March 2020, just under 100% of our staff worked remotely. Currently, more than 90% of our staff continue to work remotely on a permanent basis utilizing Society's telecommuting program with >2.8 million miles saved in 2023. The program produced an annual reduction of CO_2 equal to 2.58 million pounds of CO_2 in 2023. Society Insurance manages a small fleet program for field workers with a focus on cost effective, low emissions solutions. Currently, the fleet vehicles are replaced on a 3–4-year cycle and the vehicles have an average of >30 mpg.