

NAIC CLIMATE RISK DISCLOSURE SURVEY

TCFD-ALIGNED QUESTIONS

UPDATED 2022

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 on Governance:

Hawaii Employers' Mutual Insurance Company, Inc. (HEMIC) recognizes the importance of risk management and has a governance structure and process to identify, analyze, manage and monitor current and emerging risks through its Corporate Risk Committee. The four-member committee is comprised of the Board Chairman, a Board member, the CEO and the CFO. The Committee is charged with identifying and monitoring significant risks enterprise wide, including financial, operational, strategic, compliance, reputational and governance. This Committee meets quarterly and reports directly to the Board of Directors. Climate and natural disaster risks are included in the scope of the Corporate Risk Committee as its impact may reach the level of an enterprise risk and have a material impact to the company's surplus.

Management's role in assessing climate-related risks are to identify, analyze, and monitor potential environmental risks and their potential impact on the company. Significant risks are discussed with Executive management and elevated to the Corporate Risk Committee and Board of Directors as appropriate.

HEMIC does not presently have a publicly stated goal on climate-related risks and opportunities.

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 on Strategy:

HEMIC writes only workers compensation coverage for Hawaii employers and has not identified direct related climate risks or opportunities. It has, however, implemented processes to identify and analyze potential natural disaster impact specific to its exposure. See more in the risk management section below.

Regarding the impact of climate-related risks and opportunities in the company's business strategy and financial planning, HEMIC strives to support energy efficiency and preservation of resources. HEMIC's office building is energy efficient and designed to conserve electricity and water. From 2001, HEMIC has worked to minimize paper resources and waste by utilizing imaging technology and conscious efforts to reduce the number of paper documents produced.

HEMIC does not provide direct products or services to support the transition to a low carbon economy to its workers compensation policyholders. It does, however, encourage its policyholders to utilize its online portal to retrieve policy information, file paperless claims, review and pay invoices and access workplace safety programs, information and training.

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 on Risk Management:

HEMIC writes only workers compensation coverage for Hawaii employers and has not identified direct related climate risks with respect to physical, transition or liability risk. It has, however, implemented processes to identify and analyze potential natural disaster impact as a catastrophic event could result in workplace injuries.

To mitigate risk from catastrophic events, including natural disasters, HEMIC purchases reinsurance that provides coverage up to \$70 million for a single occurrence. Risk management and assessment is addressed annually by performing catastrophe modeling, specifically for an earthquake (RMS model) event as that would be sudden and could impact a large area. HEMIC's catastrophe modeler is provided policy specific exposure data including workplace address, number of workers and payrolls. The modeling process identifies concentrations of exposures by employer and by location (multiple employers) and provides scenarios outcomes of potential loss impact.

HEMIC utilizes an external investment manager to manage its investment portfolio. The manager provides and presents quarterly reports to HEMIC's Investment Committee. They also provide credit risk monitoring and management and other related services, including strategic asset allocation analyses. HEMIC's exposure to investment risk is further managed by maintaining an investment policy that focuses on high quality (rated) securities and preservation of principle over the long term.

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.

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 on Risk Management:

HEMIC exclusively writes workers compensation insurance coverage and has not identified direct related climate risks or opportunities. It does however perform catastrophe modeling to manage natural disaster risk, specifically earthquake risk. See also, Response on Risk Management.

* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.