Standard Insurance Company
NAIC 69019
NAIC Climate Risk Disclosure Survey Reporting Year 2023

Governance Questions

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

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

Company Response:

The Standard's Board of Directors has oversight of all risk activities across The Standard. At the Board level, the Audit Committee is responsible for the assessment and management of the financial risks from climate-related risks, including review of management actions taken to monitor and control such exposures.

The Audit Committee of The Standard Life Insurance Company of New York (SNY) Board of Directors oversees climate-related risks and opportunities through the lens of The Standard's Enterprise Risk Management (ERM) framework. The Standard's Board's Nominating & Corporate Governance Committee oversees our annual Environment, Social and Governance (ESG) reporting and advises management on opportunities and areas for further focus. The AVP & Actuary, Corporate Actuarial and Risk Management is responsible for presenting an annual update of tolerances, limits and opportunities to The Standard's Board. This update occurs annually, at minimum, with the latest update provided in November 2023 as part of an ERM update.

The Standard's Board participates in ongoing climate-related risk education sessions, completing the most recent session in February 2023.

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

Company Response:

Climate-related risk assessment and management is under the direct oversight of the AVP & Actuary, Corporate Actuarial and Risk Management. The Corporate ERM team reports to the CRO and oversees the identification, measurement and management of all material risks, including climate-related risk, on an enterprise basis.

The AVP & Actuary, Corporate Actuarial and Risk Management receives regular reports from the ERM team regarding climate-related risks and opportunities. These updates occur both on an ad-hoc and recurring bases. In 2022, the ERM team began including updates on climate-related risk in the existing quarterly risk dashboard. This dashboard is produced by the ERM team, reviewed and approved by the CRO and distributed to the Management Committee.

The AVP & Actuary, Corporate Actuarial and Risk Management is responsible for presenting an annual update of tolerances, limits and opportunities to the Board. This update occurs, at minimum, as part of an annual ERM update in the fall of each year. Senior management participates in ongoing climate-related risk education sessions. The next session is scheduled for October 2024.

The Standard has an established Environmental, Social and Governance Committee, representing key functions across the organization. The committee has established a framework that references select external measures and benchmarks, including the United Nations Sustainable Development Goals (SDG) framework. The company is focused on these SDG areas: Climate Action, Sustainable Cities and Communities, and Good Heath & Wellbeing. For additional information, please see our Environmental, Social and Governance Report.

Strategy Questions

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

Company Response:

The Standard does not formally define short, medium and long term but considers our climate-related risks over different time horizons. Generally, the company considers the short-term as three years or less, medium-term as three to ten years, and long-term as greater than ten years.

The Standard is exposed to physical, transition and liability climate-related risks. Understanding impacts of climate-related risks is important to The Standard. We recognize the speed of onset for climate-related risks can occur over longer horizons when compared to our organization's other significant and key risks. The Standard expects the speed of onset for most climate-related risks to be over the long-term but recognizes climate-related weather events could happen at any time.

As a group life insurer, The Standard is exposed to physical risks through geographic concentration of life insurance volumes. In general, The Standard's life insurance portfolio is geographically diverse, except for some concentration in Northern California. Our Employee Benefits department produces frequent updates on group concentration risk, including an annual report provided to management. The Standard is continuing to develop its understanding of its group concentration risk, including the effects of the remote work and the impacts of climate-related risks.

Transition risk related to credit and spread risks for corporate bonds is expected to vary significantly by industry and investment class. Industry and credit risk are already integral in The Standard's investment underwriting. The Investment team considers Environment, Social and Governance goals when selecting appropriate assets for The Standard's portfolio. Further analysis on climate-related aspects of this are planned as The Standard's risk response develops in sophistication.

The Standard's commercial mortgage volume also exposes The Standard to transition risk characteristics unique to that asset class, such as borrower's industry and local economic impacts. The Standard's commercial mortgage portfolio increases its exposure to physical risks. The portfolio tends towards small assets, businesses and retailers and is geographically diverse which helps limit the impact of catastrophic and systemic impacts of climate-related risks. The Standard monitors the geographic and sector concentration of its mortgage portfolio and includes flooding and other catastrophic risk exposures in its underwriting decisions.

The Standard's liability risk, defined as the risk of future claims from those affected by climate-related risks seeking compensation from those they perceive as responsible, is mitigated through corporate insurance.

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

Company Response:

The Standard addresses climate-related risks and sustainability as part of its overall business strategy. The Standard strives to implement initiatives that protect the environment and address risks from climate-related change, recognizing that the health and security of our customers and employees as well as our business success are linked to the health of the planet.

The Standard has identified three UN Sustainable Development Goals that offer an opportunity to make a difference, including sustainable cities and communities and combating climate-related change. In 2023, the company conducted a carbon assessment to identify opportunities for reduction and mitigation strategies. Emissions are expected to decline in future years as the company revisits its real estate footprint and reduces or resizes owned and leased office spaces.

The Standard has identified current and anticipated risks that climate-related change poses to our company. As our core products are group life and disability insurance, The Standard is not directly exposed to the potential physical effects of climate-related risks like a property and casualty insurer may be. However, we do business across the United States and there are many indirect risks associated with climate-related risk including:

- Increased mortality
- Increased morbidity and/or decreased disability claim termination rates
- Pressure on the businesses of our customer base
- Property damage or property value degradation due to severe weather
- Regulatory, litigation, competitiveness and reputational risks to the investments we purchase
- General operations risks – scarce energy, IT systems failures, workforce planning and business continuity
- Higher credit risk to investments due to a transitioning economy
- Increased macroeconomic volatility

The Standard employs a process for identifying climate-related risks and assessing their potential impact on our business, including financial implications. The company incorporates the study of economic, demographic and environmental trends – all of which may be affected by climate-related change – in its regular risk management activities. These activities include pricing and underwriting group insurance cases, diversifying and monitoring the investment portfolio, reserve adequacy testing and improving the efficiency and sustainability of business operations.

While not a direct financial risk, The Standard is also closely monitoring the increased regulatory focus across all regulatory bodies on climate-related risk including increased expectations on reporting, governance, and potential changes to the competitive landscape.

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

Company Response:

The Standard has begun to create a climate-related risk management strategy which will incorporate climate-related risk scenarios into the ORSA Solvency Scenario. This may include a 2-degree scenario, transition risk sensitivity scenario, morbidity and mortality risk sensitivity scenarios.

Available capital and liquidity are assessed against normal and stressed conditions to determine if it is enough to withstand the assumed exposure in each scenario.

The company holds catastrophe reinsurance on our group life/AD&D lines of business to improve resiliency during singular disasters or accidents related to climate change. This reinsurance is staggered so that half of our coverage renews each year, allowing for continuity of coverage in case of market disruption due to a catastrophic or other event. The group life/AD&D and health lines of business are offered on an annually renewable basis, allowing flexibility in adapting to emerging risks.

The Standard tracks many metrics and reports that understand its risk landscape. Currently available metrics and reports that help the company understand its exposure to climate-related risk include fixed income credit ratings, investment concentration reports, analysis performed by third party groups to gauge our ESG positioning relative to peers, commercial mortgage geographic concentration reports and life insurance geographic concentration reports. Changes in exposure are analyzed and reported to senior leaders each quarter.

Risk Management Questions

3. Disclose how the insurer identifies, assesses, and manages climate-related risks.
    a. Describe the insurers' processes for identifying and assessing climate-related risks.

Company Response:

Climate-related risks and opportunities are monitored and reported by the Corporate ERM function at The Standard with direct oversight from the AVP & Actuary, Corporate Actuarial and Risk Management. In August 2022, the Chief Risk Officer was designated as the senior management representative responsible for the oversight and management of climate-related risks. In April 2024, in response to a change in management personnel, the AVP & Actuary, Corporate Actuarial and Risk Management was designated by the company as the senior management representative responsible for the oversight and management of climate-related risks. The SNY Board of Directors' Audit committee is also formally designated as being responsible for climate-related risk oversight.

Within the current organizational risk taxonomy, climate-related risk is defined as "The risk of loss associated with global climate-related events" which is classified as a significant risk. Aspects of climate-related risk are also covered by bond, credit spread, mortgages, macroeconomic risk and concentration / catastrophe risk.

Climate-related risk is regularly monitored and reported to the Board. As part of our ongoing monitoring process, capital is measured and reviewed quarterly by accounting and actuarial staff. Capital management decisions and business planning decisions are made with a view towards the potential future impact relative to minimum targets.

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

Company Response:

On an ongoing basis, The Standard identifies, assesses, mitigates, reports and monitors material risks through the ERM program. The Standard tracks various metrics and reports to understand its risk landscape. Currently available metrics and reports that help the company understand its exposure to climate-related risks include fixed Income credit ratings, investment concentration reports, peer analysis performed by third party groups to gauge our ESG positioning relative to peers, commercial mortgage geographic concentration reports and life Insurance geographic concentration reports.

The Standard is researching and developing new metrics that will help it understand its climate-related risk exposure. Carbon emissions for scope 1 & 2 were reported in the 2023 Environmental, Social and Governance Report. Research into understanding its scope 3 emissions has also begun. A climate-related risk materiality assessment has identified areas where additional metrics and limits should be prioritized. We are currently developing new metrics to include in the reports created by the Corporate ERM team.

The Standard's existing limits and targets help limit its exposure to climate-related risks, which include:

- The Standard and SNY Investment Policy limits for concentration and asset type
- Commercial mortgage concentration limits
- Group Life Insurance Geographic Concentration Policy

The Standard holds catastrophic reinsurance on the group life/AD&D lines of business to mitigate risk associated with singular accidents or disasters.

The Standard undertook a review of its limits, policies, and exposures as they relate to climate-related investment risks. Recommendations for additions and changes based on The Standard's broader risk appetite statement and characteristics of risk are being presented to the Board of Directors for approval. Implementation is expected to be complete within the coming year.

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

Company Response:

The Standard addresses climate-related risk within its current Risk Management Framework. Aspects of climate-related risk are also covered by bond risk, mortgage risk, mortality / morbidity risk, macroeconomic risk, and concentration / catastrophe risk.

Capital management and business planning decisions are made with a view towards the potential future impact relative to risk tolerance. The Standard tracks a comprehensive set of metrics and reports to understand its risk landscape. See responses for question 3a for further details.

The Standard reviewed its limits and policies related to climate-related investment risk, and recommended additions and changes informed by its broader risk appetite statement and characteristics of risk. These recommendations are being presented to the Board of Directors for approval with implementation expected to be complete by yearend 2025.

Metrics and Targets Questions

4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.

    a. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.

Company Response:

Climate-related transition risk relates primarily to The Standard's investments, which are mostly comprised of corporate bonds and commercial mortgages. Transition risk related to credit and spread risks for corporate bonds is expected to vary significantly by industry and investment class. The Standard's volume of commercial mortgages also exposes The Standard to transition risk characteristics unique to that asset class such as borrower's industry and local economic impacts. Industry and credit risk are an integral part of The Standard's investment underwriting.

The Standard incorporates analysis of environmental, social and governance factors into our holistic credit underwriting and portfolio management practices. As of 2021, we utilize five outside investment managers for specific portions of the portfolio, each a direct signatory of the United Nations-supported Principles for Responsible Investment or part of a larger organization that is also a signatory. As such, these managers have agreed to certain principals for reporting and assessing ESG factors and their incorporation into the investment processes. The Standard also uses analysis performed by third party groups to gauge our ESG positioning relative to peers. Further analysis on climate-related aspects of the investment portfolio is recommended as part of The Standard's policy changes being presented to the Board of Directors for approval. This will enhance The Standard's risk response as capabilities develop in sophistication.

The Standard's commercial mortgage portfolio increases its exposure to physical risks. The portfolio tends towards small businesses and retailers and is geographically diverse which helps limit the impact of catastrophic and systemic impacts of climate-related risks. The Standard monitors the geographic and sector concentration of its mortgage portfolio, and these concentrations are considered during the underwriting process. The Investment Policy Statement places limits on the size of a single property type (retail, office, industrial or multifamily) to not exceed 50% of the mortgage portfolio, and hospitality properties not to exceed 10% of the total mortgage portfolio. It also states that no more than 40% of the total mortgage portfolio will be in any single state. Mortgage underwriting guidelines also evaluate risks, such as earthquake risk, at the time of loan origination. Further analysis on climate-related aspects of the mortgage portfolio is recommended as part of The Standard's policy changes being presented to the Board of Directors for approval.

As a group life insurer, The Standard is also exposed to physical risk through geographic concentration of life insurance volumes. In general, The Standard's life portfolio is geographically diverse, except for Northern California. The Employee Benefits department produces frequent updates on group concentration risk, including an annual report provided to management. The Standard is continuing to develop its understanding of its group concentration risk and associated climate-related risk impacts.

A small majority of the company's workforce is concentrated in the region surrounding our home office in Portland, Oregon. The company's primary real estate holdings are also located in this area. As work from home has become more prevalent, employee concentration has improved but risk from a major seismic event remains. Disaster recovery programs and business continuity efforts are targeting these risks.

The Standard has performed a Climate Risk materiality assessment to identify areas where additional metrics and limits should be prioritized. We are currently developing new metrics to include in the reports created by the Corporate ERM team.

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

Company Response:

The Standard is researching and developing new metrics that will help it understand its climate-related risk exposure. 2022 GHG emissions for scopes 1 & 2 were reported in the 2023 ESG Report. Scope 1 direct emissions totaled 1,409 metric tons (CO_2e). Market-based Scope 2 emissions totaled 1,656.6 metric (CO_2e). Total Scope 1 and 2 GHG emissions in 2022 totaled 3,065 metric tons (CO_2e). Our GHG emissions are tied primarily to company-owned facilities and energy sources. Preliminary GHG emissions data for 2023 show a material decline from 2022 totals as the company continues to resize owned and leased office spaces that comprise the company's real estate footprint. Scope 3 GHG emissions are not measured currently but preliminary research into understanding our Scope 3 emissions has begun. The company is closely monitoring legislation in several states mandating the collection and reporting of Scope 3 GHG emissions. The Standard will be prepared to report this information as regulators require.

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

Company Response:

The Standard plans to further align our climate-related risk disclosures with recommendations of the ISSB. In 2023 we completed our Climate Risk materiality assessment and will be using these results to inform future disclosures. We are establishing an approach to integrate carbon-reduction targets into our operations. The Standard will work towards setting targets appropriate for climate-related risk management within our overall framework.