

NAIC CLIMATE RISK SURVEY

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.

RESPONSE:

While the Society does not have any publicly stated goals respecting climate-related risks it considers itself to be sensitive in this space. Royal Neighbors of America (the "Society") has 148 employees conducting business from its headquarters in Rock Island, IL as well as remotely from various locations. A small satellite office in Mesa AZ, was closed in the spring of 2024. The Society's sales are primarily whole life final expense life insurance and single-premium deferred annuities which are sold through independent agents. Based on the products sold, the nature of its operations and its limited size, the Society continues to monitor the impact climate related risks may have on its investments as well as on its business operations but does not currently anticipate financial exposure resulting from climate-related risks. Given the Society's size and complexity, it did not add climate risk to its list of enterprise risks for 2023.

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.

RESPONSE:

A. The Society's Board of Directors relies on its Investment Committee to provide oversight of the Society's financial risk. The Society utilizes outside investment managers to select appropriate investments as governed through the Society's board-approved investment statement and such investments follow a strategy that considers internal and external factors - including those that might include material climate-related matters] Based on the Society's limited size and product offerings, the Board believes this risk has been appropriately addressed through the Investment Committee and does not currently maintain a position or committee to oversee potential climate-related financial risks.

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

RESPONSE:

B. Society Senior Management regularly assesses and evaluates opportunities as part of its Enterprise Risk Management framework. The ERM Committee in conjunction with the Society's Executive Team are responsible for managing these and other risks and for pursuing any appropriate opportunities related to them. While climate related risk is included as a risk to be assessed, it is not one of the Society's primary corporate risks. Planning and assessment of risks requiring additional monitoring occur annually through internal leadership and through the Board of Directors. The Enterprise Risk Committee meets quarterly to discuss identified material risks and if risks increase or new risks are identified, appropriate action is taken within the ERM framework.

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 1-5years as short term, 5-10years as medium term, and 10-30years 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:

See Governance Response above. Royal Neighbors does not currently consider climate-related risks to be a significant factor in its business strategy.

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:

See Governance Response Above. Climate related risks and/or the degree to which they may affect the Society's policy forms and underwriting is not currently a significant factor in its business.

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:

See Governance Response Above. As the Society does not currently consider climate related risks a significant risk to its life and annuity business, it has not undertaken any modeling or stress testing to create metrics or targets related to potential climate change impacts.