

# RESPONSE: NAIC CLIMATE RISK DISCLOSURE SURVEY TCFD-ALIGNED QUESTIONS UPDATED 2022

## BACKGROUND

The New York Schools Insurance Reciprocal (NYSIR) was formed in 1989 to provide Property and Casualty insurance for eligible New York State Public Schools. NYSIR is a not-for-profit insurance company owned by its members-New York Public School Districts. Its Board of Directors is made up of school business leaders. The Reciprocal has grown from 54 owner Subscribers in 1989 to its current membership of 340.

## GOVERNANCE

The NYSIR Board of Governors is aware of the Company's catastrophic property loss exposure partially driven by climate change. This is part of their Enterprise Risk Management plan which is reviewed and updated annually. The NYSIR property reinsurance broker has presented climate and sustainability studies to the NYSIR Board of Governors which describe climate change's influence on severe weather and how it could impact the Company. The Company's only class of business is public schools in New York State and all our Insureds are subject to New York State environmental laws, rules and regulations.

## STRATEGY

School management and staff are generally very well educated and inclined towards safety and risk management. The NYS Education Department provides additional, comprehensive and complementary risk management oversight of schools. NYSIR is deeply embedded within the public education space in New York State. We are the top supporters of multiple state-wide education associations, including the New York School Boards Association (NYSSBA), Rural Schools Association of New York (RSANY), New York Conference of School Superintendents (NYSCOSS), New York School Business Officials association (ASBONY), New York Association for Pupil Transportation (NYAPT) and New York Schools facility Association (NYSFA). We provide extensive training directly to our members and in partnership with these associations. Additionally, NYSIR is the only insurance carrier in New York State certified to provide CTLE credits. Over 320,000 training courses have been completed by staff from NYSIR school districts. Over 285,000 CTLE credits have been issued.

New York has taken decisive action to lead the fight against climate change and protect our environment. New York State has banned fracking and is committed to phasing out coal fired electrical generating plants. The Governor's Clean Energy Standard, the first-ever state clean energy mandate, requires 70% of electricity consumed will come from renewable energy by 2030. Specific to our business, the federal and state governments are providing financial support to schools to move from gas- and diesel-powered buses to battery electric buses. This is significant as NYSIR currently insures over 7,200 school buses and will continue to offer the same coverage for all electric and or other alternately fueled vehicles (compressed natural gas) and their infrastructure and related equipment as it does for gasoline and diesel-powered vehicles. Our Insureds have been actively improving the energy efficiency of their physical plants for many years. (Energy Improvement and Efficiency contracts.) The cost benefit savings have been the primary motivation for this, but a concurrent effect is the reduction of their carbon footprint. In addition, public schools have been strongly engaged in the future of our planet as evidenced by years of educational curriculum related to the environment, conservation and climate change. We feel this commitment will only get stronger in the coming years. NYSIR will

continue to evolve its product offerings to encourage climate smart actions by our Subscribers. More information on this in the Risk Management section.

NYSIR's office is in a LEED certified and Energy Star building. Sustainability efforts include:

- Replacing all light fixtures with high efficiency and energy saving fixtures.
- Requiring NYSIR staff to turn off office lights when they leave office.
- Working with landlord to use computerized system to manage office lighting schedule and to reduce energy waste.
- In addition:
- To further reducing our carbon footprint, NYSIR migrated all key production systems from an on-premises data center to a third party more efficient "cloud" based data operation.
- NYSIR owns only one company car, which is a hybrid vehicle.
- NYSIR continues to use virtual meetings as frequently as possible to reduce travel for staff and board members.
- Ride-sharing is encouraged when staff are attending meetings and conferences offsite.

## RISK MANAGEMENT

NYSIR employs a conservative investment policy. One hundred percent of all Reserve dollars are invested in fixed income instruments. Over 75% of Surplus is invested in fixed income instruments. We will engage our portfolio manager to determine as best as possible the potential impact of climate related risk on its investment portfolio. The Company will continue to follow all investment guidance and regulation as per New York Insurance Law including any changes as respects climate related risk.

The Company has a property policy endorsement that encourages environmentally productive actions by the policyholder after a covered loss. Under the Green Building Loss Settlement provision, NYSIR will pay up to an additional ten percent (10%) of the direct physical damage loss payment amount up to a maximum of \$75,000 per loss to replace or restore damaged covered property with equipment and/or materials compliant with the most current LEED (Leadership in Energy and Environmental Design), Energy Star or Green Seal standard in effect on the date of the loss. This additional limit of insurance can also be applied towards the cost of services from accredited green building professionals. The Company also includes these pre-loss loss avoidance measures under its Excess Flood Endorsement:

- Sandbags, Supplies, and Labor \$1,000 per policy year for the costs incurred to protect insured buildings from a flood or imminent danger of flood
- \$1,000 per policy year for the reasonable expenses you incur to move covered property to a place other than the described location to protect it from flood or the imminent danger of flood

The Company is continually monitoring its coastal flood and wind exposure. Catastrophe modeling discussed in "Metrics and Targets" below. The Company has purposefully evolved from primarily a "downstate" (Long Island) writer to now having a spread of business in 48 counties across New York State. Because of this, its insured property values have gone from a 90% coastal concentration down to 45%. Despite writing a single class of business in a single state, the Company has diluted its coastal property exposure significantly. Maintaining appropriate and affordable reinsurance for the entire property portfolio remains our single most important risk management tool. Effective July 1, 2024 NYSIR no longer offers earthquake and excess flood coverage in coastal exposed territories. This was a difficult decision to make but based on modeling data available it seemed prudent. For Subscribers in those territories, we facilitated National Flood Insurance Program (NFIP) policy placements. We also implemented a Named Storm Deductible for those territories to reduce the Company's exposure to catastrophic weather events. Furthermore, we reduced the limit of excess flood coverage in all territories from a \$1,000,000 policy year aggregate to a \$500,000 per aggregate limit. This not only reduces the company exposure but should also encourage our Insureds to implement loss mitigation and property resilience efforts. NYSIR has expanded its use of sensor technology to minimize the frequency and severity of weather-related events. We have established new protocols for risk management communication leading up to expected adverse weather events.

## METRICS AND TARGETS

NYSIR engages its property reinsurance broker and its analytics team to provide update information on the climate risk exposure to NYSIR's book of business. The updates are designed to account for the latest science on climate driven peril frequency and severity. These updates include:

- Portfolio risk management, risk selection, rate making, and strategic growth opportunities
- Benchmarking to peers in present day and future climate
- Consideration of current and future regulatory requirements

The year over year results comparisons for the most recent modeling including deductible changes are below:

RMS RiskLink v21 (changes in AAL by peril):

- Hurricane: -25.8% decrease in AAL YOY
- EQ: -75.6% decrease in AAL
- SCS: 0% change in AAL
- Winter storm: 0% change in AAL
- All Perils: -8.7% decrease in AAL

Verisk Touchstone v10 (changes in AAL by peril):

- Hurricane: -14.4% decrease in AAL
- EQ: -72.4% decrease in AAL
- Tornado Hail: 0% change in AAL
- Winter storm: 0% change in AAL
- Inland Flood: -83.2% decrease in AAL
- All Perils: -13.7% decrease in AAL

Deductible Summary

- 1% Storm deductible in Suffolk, Nassau & Westchester Counties subject to \$1M max per Subscriber per event
- Storm surge is included in this deductible change. "Named Storm" means a windstorm including related storm surge and flooding that has been named by the National Oceanic and Atmospheric Administration (NOAA) National Hurricane Center and is classified as by the NOAA as a tropical storm or stronger while impacting the State of New York.
- Excess flood and EQ coverage will only apply to subscribers outside of Nassau, Suffolk and Westchester counties.
- Subscribers in Nassau, Suffolk and Westchester counties will still receive the \$25k flood limit coverage.
- Optional excess flood and earthquake coverage in all other territories will have a maximum limit of \$500k now.

The results of these analytics have enabled the Company to change the scope of the policy coverage and limits of insurance offered as discussed in the Risk Management section. These changes are intended to better protect the Company from climate risk.