



# NAIC CLIMATE RISK DISCLOSURE SURVEY

Reporting Year 2022

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## **INTRODUCTION**

Founded in 1894, in response to a fire that destroyed a number of businesses, West Bend has been a pillar of the community for nearly 130 years. Our core values of excellence, integrity, and responsibility drive our commitment to our associates, agency partners, policyholders, and neighbors, and these values shine through in everything we do. Strong environmental, social, and governance practices have been at the heart of who we are and what we do for a long time, and we're committed to expanding these efforts.

As a mutual insurer, we base decisions based on what's best for our agents, insureds, and associates for the long term. Our strategy is rooted in creating a robust property and casualty product and service portfolio. The diversification strategy, combined with our risk management practices, helps protect our liquidity and build overall financial stability. We recognize the theme of climate change, and the unpredictable impact that weather related events can have on our business. West Bend is dedicated to considering the theme of climate change as we assess risk within the enterprise and make business decisions.

West Bend submits the NAIC Climate Risk Disclosure Survey below in alignment with the recommendations outlined by the Financia Task Force on Climate-related Financial Disclosures.

## **GOVERNANCE**

### **Governance – Narrative**

Oversight is critical to the management of the company and protection of our culture. West Bend has a strong corporate governance structure that supports regulatory compliance and ethical interactions with our internal and external relationships.

West Bend Mutual Insurance Company (West Bend) utilizes a tightly integrated Enterprise Risk Management (ERM) program to ensure our largest risks are identified and managed to an acceptable outcome. Periodic and regular risk identification sessions are performed so that we can identify risks with potentially significant consequences and appropriately assess, manage, and govern based on the risk materiality. The theme of climate change is considered as we assess risk within the enterprise and make business decisions.

The governance structure at West Bend is comprised of members of the Risk Management Office (Chief Risk Officer and Manager – ERM), Division Heads (Officer or Director positions), an internal ERM Associate Board (Directors and Officers), Sr. Executives and a sub-committee of the board of directors (Strategic Risk Oversight Committee). The ERM Associate Board and the Strategic Risk Oversight Committee both meet quarterly. The roles and responsibilities of all participants are clearly identified. Criteria have been established and documented which clearly dictate the level of the governance structure to which risks, exposures and controls need to be communicated and at which level they are managed. In general, the larger the inherent exposure, the higher in the governance structure to which the risk is reported and the higher the level at which the risk is managed.

## **Governance – Closed Ended Questions**

- Does the insurer have publicly stated goals on climate-related risks and opportunities?  
No
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? Yes
- Does management have a role in assessing climate-related risks and opportunities?  
Yes
- Does management have a role in managing climate-related risks and opportunities?  
Yes

## **STRATEGY**

### **Strategy – Narrative**

Our most significant climate change exposure relates to the frequency and severity of property losses. Considering our concentration of property exposure in the Midwest, convective storm experience will drive future results. If climate change results in increased frequency and severity over time, this experience will be incorporated into our underwriting, pricing, and claims processes, providing an ongoing adaptation and mitigation to the risk exposures. Despite our Midwest concentration, our strategy of creating a robust property and casualty product and service portfolio remains strong and intact. This is further evidenced through our financial strength assessed by A.M. Best Company, recognized worldwide as the benchmark for assessing insurers' financial strength and our liquidity and capital adequacy in our Own Risk Solvency Assessment (ORSA), filed with the Wisconsin Office of the Commissioner of Insurance (OCI).

West Bend has identified the following major climate risk areas and related mitigation strategies.

#### *Carbon Emissions*

- Risk Assessment: Low – The insurance industry is a low emitter.
- Mitigation: Not applicable.

#### *Investments*

- Risk Assessment: Low to medium – This risk is systemic in nature which does not uniquely expose our portfolio.
- Mitigation: Our investment managers consider several factors within our investment portfolio, including climate.

#### *Underwriting/Property Catastrophe*

- Risk Assessment: Medium to high – This risk is a primary focus and correlates directly with our business.
- Mitigation: West Bend avoids long term property catastrophe exposure by writing 12-month policies. This allows us the ability to annually modify pricing and terms to reflect

the current environment. Additionally, we continuously monitor changes and trends and purchase reinsurance to transfer risk where available and practical.

Additionally, there are two risks in our Enterprise Risk Management portfolio directly linked to climate change.

- Severe weather or other property catastrophe (wildfire, explosion, terrorism, etc.) from a single event could cause damage to or destruction of property we insure.
- Multiple severe weather or other property catastrophe events (wildfire, explosion, terrorism, etc.) could cause damage to, or destruction of, property we insure and retained losses greater than we anticipated. This risk contemplates that changing weather patterns could result in more frequent, less severe losses for property that we insure.

### **Strategy – Closed Ended Questions**

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? No
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? Yes
- Does the insurer make investments to support the transition to a low carbon economy? No
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? No

## **RISK MANAGEMENT**

### **Risk Management – Narrative**

As mentioned, West Bend utilizes a tightly integrated Enterprise Risk Management (ERM) program to ensure our largest risks are identified and managed to an acceptable outcome. Periodic and regular risk identification sessions are performed so that we can identify risks with potentially significant consequences and appropriately assess, manage, and govern based on the risk materiality. The theme of climate change is considered as we assess risk within the enterprise and make business decisions.

Current weather catastrophe modeling has not been able to accurately predict the impact of climate change on Midwest severe convective storms. While we cannot predict how our property catastrophe experience will change over time, we have assessed and addressed our liquidity and capital adequacy in our Own Risk Solvency Assessment (ORSA), filed with the Wisconsin Office of the Commissioner of Insurance (OCI). Our ORSA contains a detailed discussion of our risk management plans related to liquidity, capital adequacy, and property catastrophe exposure. On an annual basis we meet with our regulator at Wisconsin OCI for an open and detailed dialogue on these topics. We believe that both liquidity and capital adequacy are sufficient to withstand highly improbable loss years.

While West Bend does not have a separate dedicated climate change policy within our investment portfolio, we utilize outside professional investment managers to balance investment risks across a wide array of risk factors and a diverse portfolio to optimize results within the constraints we provide them. No changes to the strategy have been made at this time.

### **Risk Management – Closed Ended Questions**

- Does the insurer have a process for identifying climate-related risks? Yes
  - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? Yes
- Does the insurer have a process for assessing climate-related risks? Yes
  - If yes, does the process include an assessment of financial implications? Yes
- Does the insurer have a process for managing climate-related risks? Yes
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? Yes
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? Yes
- Has the insurer considered the impact of climate-related risks on its investment portfolio? Yes
- Has the insurer utilized climate scenarios to analyze their underwriting risk? No
- Has the insurer utilized climate scenarios to analyze their investment risk? No

## **METRICS AND TARGETS**

### **Metrics and Targets – Narrative**

West Bend does not utilize climate-related metrics and targets to manage risks and opportunities, but instead approaches all risks through the lens of our risk tolerance and risk appetite as outlined within our Enterprise Risk Management program. We are focused on our liquidity and capital adequacy, which is described in great detail within our Own Risk Solvency Assessment (ORSA), filed with the Wisconsin Office of the Commissioner of Insurance (OCI). Our ORSA contains a detailed discussion of our risk management plans related to liquidity, capital adequacy, and property catastrophe exposure. We believe that both liquidity and capital adequacy are sufficient to withstand highly improbable loss years.

West Bend utilizes computer modeling as an input in our decisions to purchase property catastrophe reinsurance, our main financial mitigant, and to help us understand accumulations of property exposure. These models illustrate various peril simulations across our book of business and produce a range of potential outcomes.

West Bend does not track Scope 1, Scope 2, or Scope 3 emissions. While we do not track our scope 1 emissions, our current operations consider efficiency and reduced emissions. Our primary sources of emissions include heating our company office spaces, operating company vehicles and the generation of electricity used at our offices. Several investments and initiatives have been

undertaken to reduce overall use, and thus emissions. Our facilities were designed with superior utility performance in mind, and we employ heat action days designed to reduce our consumption of electricity on hot days. High R value insulation and advanced HVAC controls and equipment also contribute to keeping our cooling and heating utility consumption low. Continued advancements in lighting, motor drive, and building automation technology have allowed us to further invest in energy efficiency. Internally, low-flow plumbing fixtures, hands-free faucets, and high-efficiency appliances have been installed to help reduce water use. Externally, rain sensors and drip irrigation reduce water consumption. Additionally, storm water management is structured to minimize runoff from the property to minimize our impact.

In addition to reducing utility usage, our main campus is designed with sustainability in mind. West Bend employs a robust recycling practice, not only for company-used products, but also assisting associates with recycling personal items. Companywide, we recycle paper, cardboard, metals, glass, and plastic. In 2022, we recycled approximately 9,000 cubic yards of co-mingled waste. Additionally, we offer recycling services to our associates for ink cartridges, batteries, cell phones, eyeglasses, and shoes.

Our corporate headquarters was constructed in 1991 with the intention of restoring the grounds to their natural ecosystem. The building sits on 160 acres of land, for which only four are manicured turf. The approximately 140 acres of prairie protect wildlife, reduce soil erosion and degradation, and minimize water and chemical use, as no extra watering or fertilization is needed for its plants to thrive.

Our prairie serves as a habitat to lots of natural wildlife, including deer, turkeys, foxes, pheasants, geese, ducks, hummingbirds, and many other varieties of birds. Throughout Wisconsin, the populations of many of these creatures have declined due to the loss of habitat. West Bend consulted with experts to determine the best design and construction, ensuring the prairie could support a variety of threatened and endangered species native to this area. Aligning with our goal of supporting and maintaining wildlife, we regularly release pheasants into the prairie in an effort to build the resident population and provide a safe, natural home to them. To learn more about sustainability at West Bend see our web site: <https://www.thesilverlining.com/>

#### **Metrics and Targets – Closed Ended Questions**

- Does the insurer use catastrophe modeling to manage your climate-related risks? Yes
- Does the insurer use metrics to assess and monitor climate-related risks? No
- Does the insurer have targets to manage climate-related risks and opportunities? No
- Does the insurer have targets to manage climate-related performance? No