200 MADISON AVENUE / NEW YORK, NEW YORK 10016 / (212) 683-9700

Date: August 30, 2024
Re: Insurer Climate Risk Survey Responses for Reporting Year 2023
Insurer: Greater New York Insurance Companies (NAIC Group Code 0222)

I. GOVERNANCE

As part of our ERM strategy, we address climate risk at many levels within the Company as part of our day-to-day operations. Climate-related disclosure is handled at the ultimate holding company level of the Company. Although the Company will address any specific climate-related concern at the entity level, entity-level disclosure is generally not required, as each of the companies within the group underwrites substantially identical lines of business with exposure in the same geographic area. The Company also participates in an inter-company pooling arrangement under which the entities within the Company cede 100% of their business to the holding company, which in turn retrocedes a portion of the business to third-party reinsurers. The holding company retains 100% of the pool's liabilities. Across the group, the most significant potential exposure from climate-related risk is the Property line of business.

Governance of risks, including climate risk, is vital to the Company. For that reason, the Board of Directors – in particular, the Audit Committee of the Board – is responsible for overseeing climate risk in conjunction with its oversight of the Company's enterprise risk. For this and other reasons, a risk management report reviewing climate risk is a standing item on the agenda at every meeting of the Audit Committee. The Audit Committee receives a company-wide quarterly update of all risk-related topics and then updates the full Board on these items at least semi-annually. On a day-to-day basis, the Risk Committee, comprised of key officers and chaired by our CFO, considers all enterprise risk, including that posed by climate change. In this regard, the CFO is responsible for maintaining a climate-risk policy, determining on a regular basis whether any climate-risk-related actions or policy updates are necessary, and communicating important climate-related information and/or developments to senior management and the Board of Directors. The Risk Committee meets quarterly to review current metrics and to determine whether any action or policy revisions are necessary. Members of the Risk Committee include the Chairman, President & CEO, CFO, CUO, and Chief Actuary.

While Board members have no specific education or training on climate risks, many of them are insurance industry professionals with significant experience managing risk of all kinds. This experience informs the Board's understanding and evaluation of the unique, and often changing, risks posed by climate change. The Company has not made any specific climate comments or issued any public statements on climate change policy during the reporting period, but we continually incorporate climate-related concerns both in our risk assessments and our daily corporate operations.

In addition to Board oversight, senior management of the company seeks to protect the financial position of the Company and will walk away from risks that are not appropriately priced, whether it be underwriting or investment related. Company personnel do not face pressure to expose the Company to risks, including climate-risks, which are not priced appropriately. This mindset is reinforced through frequent quality reviews of underwriting files and by constant monitoring of rate levels by senior management using actuarial tools designed for that purpose.

Because the Company offers a relatively limited line of products and operates with a centralized, flat management structure, ERM for the Company is simpler than it would be for companies that are less centralized and offer a greater array of products. As a result, the Company has determined that it does not need a separate ERM department at this time. Other senior leaders assist the CFO, as needed.

The Company's Enterprise Risk Reports and ORSA summary reports consider climate-specific risks in connection with the Company's overall evaluation of risks and exposure. For example, the Company understands that, as a result of climate risks, we may be required to charge higher rates for our products. Because the Company understands that there may be a time lag in getting such rates filed and approved, our ERM assessment considers the risk that business is underpriced. Similarly, in considering its exposures on a net basis, the Company includes a provision in its ERM assessment to recognize that if an extreme event(s) were to occur, it is possible that its reinsurers may not be able to pay 100% of their obligations to the Company.

II. STRATEGY

The Company has, and continues to, plan to assess, reduce, and mitigate its greenhouse gas emissions in our operations. We use low-energy lighting in our offices to reduce our expenses and our emissions. Some of our offices have motion sensor light switches that automatically turn off when no one is in the room. In addition, we use water filtration coolers for drinking water, which reduces carbon emissions and plastic waste. We eliminated our use of Styrofoam cups. Security cards issued for our offices are recycled to other employees upon an employee's termination.

We recycle old IT equipment and toner cartridges. We use virtual servers that enable us to have multiple servers on one machine and which reduces our carbon footprint. We have phased out many desktop computers in favor of energy-efficient laptops, and in central printing rooms and locations on each floor, we have replaced desktop printers in our offices with more energy- and toner-efficient multi-functional devices. We eliminate paper time sheets and electric time stamps by using an electronic timekeeping and attendance tracking system in lieu of a paper timekeeping system. We also use flat-screen monitors in place of the old CRTs and set company-owned computers to turn off monitors automatically after a brief period of user inactivity. We also offer our insureds the ability to pay bills online and for insurance brokers to transact business with us online.

Following the COVID-19 pandemic, we developed, adopted, and implemented, on a department-by-department basis, as determined by the needs of each department and in consultation with the CEO, a policy permitting employees to work remotely. Hence, in-office presence varies by departments, with some employees rarely working in the office. We believe that this policy has not only reduced carbon emissions related to employee commuting and in-house electricity use, but also has increased the company's resiliency. When employees must to travel to the office to work, we encourage the use of public transportation.

As part of our ERM we are establishing energy-efficiency thresholds for the equipment and appliances that we purchase for use in our offices. Our claims and underwriting operations have moved to paperless files. Many of our operational areas servicing the claims and underwriting department also are, in whole or in part, paperless. When printing is required, our more significant printing jobs default to printing double-sided, on 30% recycled fiber paper. We also have detailed disaster plans for our offices enabling us to operate during catastrophic events. Indeed, the plan proved quite effective in response to the COVID-19 pandemic.

The Company has also engaged key constituencies on the topic of climate change. We are members of a number of climate-conscious insurance-advocacy organizations, such as NAMIC and NYIA. These organizations advocate on both the state and the Federal level, engage key constituencies on the issue of climate change and climate-related damages, and provide education sessions to our senior management on those topics. Employees have periodically met with United States Senators and Congressmen and Congresswomen on such climate-related issues as flood, building codes, and TRIA. Some of the organizations that we financially support also fund research into the impact of climate-related events. We not only speak to our policyholders about potential climate-change risks at our annual policyholder meetings and on our website, but we encourage them to reduce climate-related losses in connection with our Loss Control services. We discuss this in the Risk Management section below.

The Company has identified current and anticipated risks that climate change poses to us based on the lines of business we write: Property, General Liability, Commercial Auto, Workers Compensation, and Umbrella, with the majority of our exposures written in New York, New Jersey, Connecticut, Massachusetts, and Illinois. Property is our largest line of business and is the line most directly impacted by climate change. The major climate-related perils for the Company are: coastal wind from hurricanes or tropical storms; interior wind caused by tornado; hail and convective storms; flood; storm surge; and winter storms.

The Company views this risk as a short, medium, and long-term climate-related risk, as the growth in frequency and severity of these perils is expected to increase due to a changing climate and a growing population, particularly along the coasts and in the larger urban metropolitan cities. Given that ground-up exposure for property is a short-tailed line of business, it is easier for us to recognize trends such as the impact of climate change on results and to take appropriate actions in the near term, and in the medium- and longer-term. Such actions can include modifying rates to be commensurate with the exposures or assessing the jurisdictions where we are willing to write business (e.g., the Company is not licensed in certain states deemed to be overly exposed to catastrophe risk).

For many years, the Company has successfully executed a diversification strategy designed to expand our geographic footprint. An additional strategy is that the Company purchases treaty reinsurance from highly rated reinsurers on both a "risk" and "catastrophe" basis to further spread the respective risks and to reduce the volatility that climate change may bring. The Company plans to continue this strategy on a going-forward basis.

The Company continually monitors, assesses, and responds to risks and opportunities posed by climate change while balancing the need to meet our insureds' requirements and achieving a financially stable and long-term position in the marketplace for both our insureds and our Company. Given these mitigants, the Company believes that it would be resilient to the potentially severe effects of climate change.

III. RISK MANAGEMENT

Policyholders: The Company encourages policyholders to reduce the losses caused by events influenced by climate change. We have found that we can have our greatest impact in reducing losses by making our Loss Control services available to our insureds. Loss Control services identify exposures to loss, educate policyholders about weather-related risks, and, when necessary, make recommendations designed to mitigate losses and to reduce frequency and severity of losses caused by both weather-related and non-weather-related perils. For example, if a roof is old and worn, we recommend that our insured replace the roof to reduce or eliminate the likelihood of a loss. Moreover, new roofs make buildings stronger and more resilient. This lessens the financial impact of an event not just to our insured, but to the community as well. Since the building inventory within our geographical area is aging, and many structures require such remediation, these types of recommendations are important and effective. Other risk-control recommendations include requiring insureds to replace or upgrade older or badly maintained electrical, plumbing, and heating systems. Newer systems and appliances are not only more efficient than older ones, but they also reduce the carbon footprint.

Underwriting: We have a process of identifying climate change-related risks and of assessing the degree that climate change could affect our business, including customer demand for products. Assessing catastrophic risk is a core component of our underwriting process. We are not purely a writer of catastrophic risk, but, because we insure property-related risks, catastrophic risk is a key exposure that requires monitoring. We underwrite catastrophe risk at the location level using in-house tools, and in the aggregate level using commercially available models. For example, our underwriters regularly use Spectrum Spatial to assess the location of potential risks and whether or not we have too much exposure in any one area. Our underwriting teams also hold monthly branch meetings to evaluate new business and renewal rates. Any climate-related concerns regarding the Company's underwriting portfolio are addressed at these meetings.

The Company's Loss Control services also help the Company manage its underwriting exposure. By inspecting insureds' premises, the Company not only helps protect its insureds from risk, including climate-related risk, but also mitigates the Company's exposure when climate-related losses occur. The Company considers cancellation or non-renewal of coverage when insureds refuse to cooperate with mandatory loss control recommendations.

Investment: While the Company has not directly altered its investment strategy because of climate change, we do consider its impact on our overall risk profile by correlating the exposure between our insurance portfolio and our investment portfolio. For example, when purchasing commercial mortgage-backed securities, we are mindful of the geographic locations of the underlying properties to ensure that we avoid the areas most effected by natural catastrophes. Similarly, we do not invest directly in real estate, which has a greater exposure to the impact of climate change. We do this to ensure that we are not overexposed to correlated risks within our insurance portfolio.

More broadly, the Company seeks to maintain a diversified portfolio, with a sizeable percentage of the portfolio invested in obligations backed by the United States government. Because our investment portfolio is diversified, we are not overly exposed to losses in any one geographical area. If adverse events occurred as a result of climate change, our lack of concentration would likely ensure that we would not be adversely impacted in a material manner. The primary focus of our investment management has been in securities that are strongly rated as to their credit worthiness. In making investments in debt securities, we seek to avoid situations where there could be some correlation between risks related to our insured portfolio and our investment portfolio. We do this by avoiding direct real estate investments and being mindful of the underlying assets that secure investments in commercial mortgage-backed securities. The Company has typically not invested in the bonds of companies in the fossil-fuel industry and is not likely to do so going forward.

Risk Processes and Integration in ERM: The Company identifies, assesses, and manages climate-related risks in conjunction with the management of its insurance portfolio, its investment holdings, through its overall ERM protocols, and in evaluating individual risks for purposes of risk selection and pricing. Overall risk to natural disasters in the insurance portfolio is measured through CAT modeling and the exposure is managed by limiting aggregations and applying sub-limits and deductibles where appropriate. We employ skilled loss prevention engineers who help advise policyholders as to how to mitigate their risk to natural catastrophes.

The most significant exposure to the Company is catastrophe risk. Catastrophe risk exposure from potential natural and man-made events is measured annually by running catastrophe models, which consider both a multitude of loss events and the impact of climate change. For this, the Company relies on its reinsurance intermediary. An advantage of this approach is that we benefit from a team of individuals who are experts in catastrophic losses and who well understand how to use catastrophe models.

Because no model is perfect, our reinsurance intermediary utilizes two primary models – RMS and AIR – to forecast our catastrophe risk under various scenarios. Although there is not an explicit forecast for risks associated with climate change, such factors are considered indirectly as the models utilize past events to forecast the potential impact of future events. To assess the reasonableness of results, comparisons are made to results from prior studies. Also, in some instances, changes are made in assumptions to see what the impact is and then the revised output is reviewed to see if changes are as expected. We also benefit from the fact that our reinsurance intermediary runs models for numerous clients, which helps us validate modeled results as they perform similar procedures that can help identify any anomalies.

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We utilize the results of such models, and also our extensive knowledge of the risks we underwrite, to ensure that we purchase sufficient reinsurance from financially stable reinsurers to limit our net loss if a major catastrophic event were to occur. We also use the models to identify areas of over-concentration. This ensures that in the event of a major catastrophe we have sufficient liquidity to meet requests for payments from our policyholders who have incurred covered losses as a result of such events. Because of the potential material impact of such events, we annually assess our aggregate exposure. This way, we are able to track the impact of climate change on our portfolio and adjust our risk appetite as necessary.

Finally, we have been broadening our footprint to better distribute our exposure to natural catastrophes. While this means that we are exposed to a greater frequency of events, we limit the severity of any one event by having a broader footprint.

IV. METRICS AND TARGETS

The Company sets underwriting guidelines designed to limit our exposure to catastrophic events, utilizing specific tools that measure potential exposure per individual risk by insured peril and through the use of sub-limits and deductibles when coverage is provided. The tools we utilize per risk measure potential exposure to flood, surge, wind, hail, and earthquake. As noted above, we also regularly assess our potential group-wide exposure through the use of multiple models and purchase adequate limits of reinsurance to ensure that our surplus is well protected for the benefit of our policyholders. Although these models do not expressly contemplate climate risk, we attempt to manipulate the factors of these models to account for the uncertainty associated with the increased frequency or severity of the perils identified above, which may be influenced by climate change, and to use a conservative viewpoint in selecting models.

On a quarterly basis we assess if the greatest exposures, on a stressed basis, are within the tolerance levels outlined in our risk policy. Results are presented at least twice a year to the Board of Directors. Our risk tolerances were adopted with the thought that if a stressed scenario(s) were to occur, we would be able to conduct business as usual.

The Company has not yet developed specific metrics to evaluate and measure specific greenhouse gas emissions and related risks.

The Company has taken reasonable steps to evaluate and mitigate against the risks of climate change, which actions have been sufficient to date. As time goes on, the Company will continually review and reevaluate its policies and procedures in an effort to insulate itself from the impacts and long-term effects of climate change.