NAIC #: 65757
Company Name: Shelter Life Insurance Company
Line of Business: Life
Group #: 0123
Group Name: Shelter Ins Grp

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.

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.

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

Shelter Life Insurance does not currently have any publicly stated goals on climate-related risks. Shelter has a written Enterprise Risk Management Plan, adopted by its Board of Directors. The Plan requires that the management of the company:

- Set strategic objectives, which are aligned with the entity's risk appetite and risk tolerance.
- Identify potential events that may positively or negatively affect the enterprise's ability to achieve its objectives and performance goals.
- Consider qualitative and quantitative methods to evaluate the likelihood and impact of potential events.
- Consider alternative risk response options.
- Implement policies and procedures throughout the organization to ensure the risk responses are properly executed.

Management has appointed a task force of employees across various departments in the Company, led by one of the Executive Vice Presidents, which monitors risk management. The process used by this group includes an exhaustive analysis of a wide range of risks associated with the operations of Shelter, including, but certainly not limited to, investments and weather-related catastrophes. The group continue to examine our long-term catastrophe record for possible links between climate change and the number and severity of catastrophe losses we have experienced. The Plan requires an annual review of the effectiveness of the Enterprise Risk Processes by the Audit Committee and Internal Audit and a presentation to the Board every two years.

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

Due to the regional nature of Shelter Life's book of business, the Company works primarily through trade associations for participation in public policy issues. Shelter has not undertaken a program to educate its policyholders regarding potential climate change risks. Shelter does not have a formal written plan that exclusively addresses the assessment, reduction or mitigation of emissions in its operations. However, in consideration of its impact on the environment, Shelter has made several changes in its operations which have resulted in the reduction or mitigation of emissions in its operations. These include more efficient management of our facilities, operations and fleet. Below are just a few examples of the actions taken by Shelter as it considers its impact on the environment:

• Converted to a paperless claims system which allows for centralized adjusting of claims and reduction of travel associated with adjusting claims.
• More energy efficient lighting is now used throughout the Home Office operations.
• We strive to have an energy efficient operation. During peak times of energy use, we collaborate with local governments to reduce the use of electricity.
• We have reduced the number of vehicles in our fleet operations and use more 4-cylinder and energy efficient vehicles.
• A new online system allows paperless communications with our customers to the extent allowed by law, for both billing and policy document delivery.
• We recycle many of the products we use and also purchase recycled products to be used in our operation.

• We have developed an extensive program of training our employees and agents through the use of a web based eLearning environment to avoid the requirement for employees and agents throughout our 14-state territory to travel to Home Office for training sessions.

• Employees are encouraged to use recycling bins placed throughout the office.

Shelter continually assesses the energy efficiency of its data center and has taken steps, such as virtualization to reduce the energy consumed.

Shelter has implemented a paperless delivery system for documents that need to be delivered to the customer – and for which the laws do not require U.S. mail. Customers are encouraged to opt into the paperless system to reduce the amount of printing required, which, in turn, reduces the amount of paper used.

Shelter also has an underwriting inspection program which includes inspections of insured properties and roofs. As a result of these inspections, suggestions for improvements are made to homeowners that may make their property less prone to weather-related losses.

In the coastal state where we have the most exposure to hurricane losses, we offer price discounts based on certain loss mitigation features of a structure.

Shelter has a formal process for assessing enterprise risk, which includes an analysis of how climate change might increase those risks. These risks are reviewed at least annually in the context of enterprise risk management. Shelter recognizes that natural catastrophes can have a significant impact on its financial status and retains significant surplus, as well as a comprehensive reinsurance program to minimize the impact of such losses. In addition, underwriting and pricing actions are taken as appropriate. Shelter will maintain its continuous risk assessment processes through its ERM analysis and other operational analyses.

Shelter's investment policy calls for appropriate diversification of risk across asset classes and types of investments to accomplish a total return consistent with the goals of the Company and the need to pay claims. Climate change is one of many risks that could impact the Company's investments but is not usually considered as the sole reason for either targeting or avoiding specific investments. However, for some sectors, particularly the financial and energy sectors, the potential impact of climate change is considered more closely in our investment analyses.

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.

Shelter has a written Enterprise Risk Management Plan, adopted by its Board of Directors. The Plan requires that the management of the company:

- Set strategic objectives, which are aligned with the entity's risk appetite and risk tolerance.
- Identify potential events that may positively or negatively affect the enterprise's ability to achieve its objectives and performance goals.
- Consider qualitative and quantitative methods to evaluate the likelihood and impact of potential events.
- Consider alternative risk response options.
- Implement policies and procedures throughout the organization to ensure the risk responses are properly executed.

Management has appointed a task force of employees across various departments in the Company, led by one of the Executive Vice Presidents, which monitors risk management. The process used by this group includes an exhaustive analysis of a wide range of risks associated with the operations of Shelter, including, but certainly not limited to, investments and weather-related catastrophes. The group continues to examine our long-term catastrophe record for possible links between climate change and the number and severity of catastrophe losses we have experienced. The Plan requires an annual review of the effectiveness of the Enterprise Risk Processes by the Audit Committee and Internal Audit and a presentation to the Board every two years.

Shelter, as a property and life insurer, and to some degree as an automobile insurer, geographically located in the Midwest, has significant exposure to weather-related losses. As such, the operations of the company, whether in the types of products offered, the prices charged or the reinsurance purchased, require constant assessment of weather-related losses, whether considered normal or catastrophic. These losses are continually factored into decisions made about the operations of the company. Shelter has historically reduced its writing of property insurance on a select basis geographically to reduce concentrations and to protect the Company's financial security. If a measurable impact of climate change on our weather-related losses can be established, the company will consider this impact in regard to the financial operations of the company and will make changes that are deemed necessary to mitigate the impact.

Shelter also understands the risks to its own business operations and the potential for interruption as a result of weather-related losses. Shelter maintains an updated business continuity plan, as well as geographically dispersing its operations to minimize interruption of its business operations.

Shelter's investment policy calls for appropriate diversification of risk across asset classes and types of investments to accomplish a total return consistent with the goals of the Company and the need to pay claims. Climate change is one of many risks that could impact the Company's investments but is not usually considered as the sole reason for either targeting or avoiding specific investments. However, for some sectors, particularly the financial and energy sectors, the potential impact of climate change is considered more closely in our investment analyses.

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.

* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.

Shelter Life also has licensed weather and earthquake modeling software. This suite of programs is applied at the policy location level to derive the best possible estimate of potential loss. In addition, Shelter has contracted with its catastrophe broker to run modeling for the same perils also at the location level. Shelter manages its hurricane probable maximum loss using the near-term view and the warm water view. Shelter is precluded by regulatory authorities from using these views when pricing hurricane exposed lines of business.

As indicated in Shelter's response to Question 3, Shelter, due to the nature of its book of business, has a history of assessing weather related risks, including normal and catastrophic losses. Shelter will continue to monitor information received in developing its operational plans for underwriting and pricing of its insured properties. Shelter will maintain appropriate levels of surplus and reinsurance so that it can continue to serve its customers' needs when losses occur. As additional information becomes available relating to climate change, Shelter will incorporate that information in its risk assessments.