

NAIC California Climate Risk Survey - 2024

NAIC Number: 14354

Group Number: 4889

Company Name: Jewelers Mutual Insurance Company, SI

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Governance

Any publicly stated goals by Jewelers Mutual Insurance Company, SI (the “Company”) would include risk-related disclosures to regulators or to rating agencies when they inquire about risks and opportunities facing the Company’s insurance operations.

Depending on the context, all required disclosures related to the Company’s insurance operations are handled at an individual company or group level, with the latter including both of the group’s licensed insurers. This report is itself an example of company-level reporting when the other group companies are exempt from such reporting.

One way the Company reviews its exposures to climate-related risks is through the annual reinsurance placement process, a process influenced by prior-year loss history, a history which often features significant climate-related risks, such as the impacts from the annual hurricane season. These results are reviewed by an internal reinsurance committee, and results of the final placement decisions are shared with the Company’s Board of Directors. In addition, the Company conducts a thorough annual risk assessment, which is updated at least quarterly and accounts for all risks the group’s insurance companies are exposed. Results of this analysis are also shared with the group’s Board of Directors, both directly and through its Audit Committee.

The Company’s management continually assesses and manages risk and opportunities, including climate-related risks, most directly through the Company’s Enterprise Risk Management (ERM) program, and also through daily operational considerations. As just one example, the Company is continuously looking for ways to do business electronically with our customers and business partners.

Strategy

As a national insurer also doing business in Canada, the Company faces climate-related risks that include weather-related disasters of every shape and size, from wildfires and flooding to temperature extremes to tornadoes and hurricanes. These exposures largely account for the Company’s processes and planning described throughout our responses.

The Company has made—and continues to make—considerable efforts to reduce paper waste both going out of and coming into the Company as more and more business is conducted electronically. For years, paperless delivery of policy documents has been in place for those choosing such an option, and 68% of policyholders have chosen this delivery channel, with associated substantial, and ongoing (and growing), decreases in paper resource usage and postage/delivery costs and impacts. Additionally, as part of the Company’s goals, the Company strongly encourages that all notices required under Company agreements with vendors be sent electronically (e.g., legal and privacy notices), unless prohibited by state regulation, and seeks to have invoicing and billing submitted and distributed electronically whenever possible.

Along with what has already been discussed within this response, over the short-term the Company has:

- a. regraded green space to eliminate standing water and allow proper water flow

- b. supported the City of Neenah's recent installation of curb and gutter adjacent to our home office and eliminated most of the ditches on property
- c. continued to engage in extensive removal and management of invasive plants in favor of native species, increasing biodiversity and plant/animal-friendly features of our campus
- d. continued upgrades from florescent lights to LED in the buildings, outdoor signage, and parking lots located on our campus
- e. continued our recycling program for all campus waste
- f. replaced aging hot water heaters
- g. continued ongoing investments to replace asphalt parking lots to concrete overlay
- h. installed Guardian QR+ to air handlers to kill bacteria, mold, and virus
- i. began an eco-friendly cleaning product program
- j. replaced chiller unit with high efficiency model
- k. converted HVAC from pneumatic damper controlled units to electronic servo-controlled units
- l. installed HVAC software Desigo to monitor HVAC system to improve efficiency
- m. upgraded elevators from relay logic to solid state and added high efficiency motors
- n. installed a backup generator
- o. provided employees with re-useable cups to reduce disposable cups

Over the short-term the Company plans to:

- a. continue to improve energy efficiency in cafeteria
- b. rebuild two elevators on campus
- c. remodel bathrooms with latest efficiency toilets
- d. replace air handler with hi efficiency motor and variable frequency drive
- e. replace blacktop parking lot with greenspace
- f. replace three boilers with higher energy efficient units
- g. replace boilers with more efficient units

Over the medium-term the Company plans to:

- a. replace air handlers to be more efficient
- b. upgrade solar panels
- c. add additional solar panels to the existing solar array
- d. replace asphalt shingles with metal roof

From a Natural Resource perspective, over the short, medium and long-term, the Company plans to maintain:

- a. upgrade to touchless faucets for water savings
- b. upgrade to touchless paper towel dispensers for natural resources savings
- c. more sustainable parking surfaces: continue investments to replace blacktopped parking and driveway surfaces with concrete, which in return provides better lighting, less heat absorption, and elimination of petroleum-based products for resealing maintenance

Overall, when facilities-related motors need to be replaced, energy efficient models are selected for replacements. For replacement of appliances or equipment, Energy Star rating and the cost of operation over the life of the unit is taken into consideration.

As noted above, the most significant climate-related risks facing the Company involve weather-related events. The Company is a renowned expert in loss prevention for the jewelry industry and takes ongoing steps to educate its customers on loss prevention techniques and, when losses nevertheless occur, help its customers recover from weather-related impacts, and improve defenses against similar, future events, as quickly as possible.

The Company's strategy adjusts in real time to address the threats and opportunities presented. The Company has been in business for 113 years precisely because we know our market, understand the risks it faces, and ensure we are doing everything in our power to identify, respond to, and above all else assist our customers with understanding and appropriately addressing those risks. The longevity of our business and the value we continue to provide to those customers who choose to do business with us, many for decades and over generations of family business owners, speaks eloquently to this resilience.

Response to Risk Management

As noted earlier, the Company is exposed to climate risk primarily through weather-related catastrophic risks faced by its policyholders. The Company uses industry models to estimate the potential financial exposure, and it purchases reinsurance as protection against these risks. All participating reinsurers are highly rated with sufficient assets to support any potential liabilities it may have to the Company for losses from catastrophes.

The Company has a long-established loss prevention education program, including an online course specifically geared toward hurricane preparedness and business continuity, a critical consideration given our nationwide and Canada underwriting footprint, including thousands of miles of coastline. Resources are of an electronic format and include checklists and guidelines for emergency planning, preventing and thawing frozen pipes, inventory recordkeeping guides, and hurricane preparedness guides, to name a few.

The company has recently invested in a risk aggregation platform. This platform allows visibility and insight gathered through open-source information and data points to provide early warning and continuous tracking of climate related events and exposures in proximity to policyholders. In the event of a climate related disaster, we are able to provide advance messaging and alerts out to policyholders highlighting the resources captioned above. We also direct them to other available resources or vendors that can assist in boarding-up/securing a store in advance of a hurricane or other climate related event or moving their stock and inventory to a secure location and provide preservation of property.

The Company has worked with a business partner to introduce a water and freeze temperature sensor program for policyholders as a value-added, loss prevention benefit. This program enables early notification to an insured of the presence of water and high/low temperature to help control the frequency and severity of loss. This program is in place for U.S. locations and Canada locations (excluding Quebec).

The Company's investment managers have not directly altered the Company's investment strategy with respect to possible impacts of climate change. Nevertheless, the Company's portfolio, in addition to complying with all applicable laws and regulations and investment management best practices, is well diversified across fixed income, floating rate and index-based equity securities. It is structured to consider, as well as reasonably possible, the impacts of any variety of external factors, whether they be weather events, acts of terrorism, extreme financial market volatility, global economic instability, etc.

The Company's ERM team has developed a stress-testing model for the Company's financial strength that considers the potential impact of multiple natural disasters in a condensed period and allows us to evaluate the adequacy of our surplus and the ability to pay claims in the aftermath of such extreme events. Our financial strength is such that even the most extreme scenarios leave us able to meet our obligations to policyholders.

The Company addresses these risks through proactive disaster response planning and processes, which allow us to react quickly to extreme weather events, whether that be to manage and pay claims, respond to a policy cancellation moratorium issued by a state, etc. Our investment management practices and policies comply with applicable laws and regulations; see also the response earlier concerning the impact of weather events on investments, as well as the response concerning how the Company considers loss scenarios to ensure it always maintains capital adequacy.

The Company's process for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management, which includes the ERM team, disaster response team and business continuity team, plus the claims, loss prevention, and other professionals engaged in responding to the impacts of climate-related risks. These risks are monitored not less than quarterly. See our response to question 4 below for more information on the Company's use of climate and other disaster scenarios in its risk management practices.

Metrics and Targets

The Company uses industry catastrophe models to assess and manage collateralized risks and opportunities, as well as other risks and opportunities associated with its strategy and risk management process. The industry catastrophe models are used to determine how much reinsurance coverage is appropriate to purchase. The Company purchases reinsurance to cover catastrophe losses up to an expected 1 in 500-year event.

The Company's ERM team has developed a stress testing model for financial strength that considers multiple natural disaster scenarios and allows us to evaluate the adequacy of our surplus and the ability to pay claims. The Company also uses both industry-standard and specialized catastrophe models to help it assess, and price appropriately, the risks of weather events on its policyholders, particularly in coastal areas.

The Company's Scope 1 emissions (directly controlled or owned by Company) include its facilities. The Company's Scope 2 emissions (indirectly associated with Company's purchase of electricity, steam, heat or cooling) largely are included through its facilities, including purchase of electricity, heating and cooling for its own use. As noted in our responses above, the Company takes extensive measures to ensure we are operating our facilities as good stewards of the resources entrusted to our use, helping to minimize risks of power shortages or similar risks to our operations and ability to serve our customers. The Company is a modest-sized insurer with a relatively small building footprint that sells an intangible product, all factors that both minimize our direct impact on the environment and help us proactively address the risks that we do face.

As previously discussed, the Company also uses both industry-standard and specialized catastrophe models to help it set targets related to the risks of weather events on its policyholders.