Knights of Columbus

NAIC Climate Risk Disclosure Survey

Reporting Year 2023

Governance – narrative

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.

Answer: The Knights of Columbus ("KofC" or The Society), as a fraternal benefit society which operates as a not-for-profit organization, asks its Enterprise Risk Management (ERM) team to manage climate-related risks and opportunities. The Society also has an Insurance & Investment Risk Committee which considers investment risks, including climate-related risk, sets investment rules, and incorporates new guidance around climate-related issues. The Society is also governed by its Executive & Finance Committee, which is a group of senior leaders who review and approve the Society's strategic and mission-related matters, and this oversight includes climate and ESG issues. As a religious fraternal benefit society with a strong focus on charitable works, climate risk is an ancillary consideration rather than a primary one.

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.

Answer: As stated above, the ERM function is responsible for KofC climate-related risks and opportunities and provides periodic reports to the Audit Committee of the Board.

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

Answer: KofC management is primarily focused on the Society's mission, which includes business, fraternal and charitable issues, so while there is no formal assessment of such opportunities, KofC management is expected to be mindful of climate-related risks and opportunities as they pursue the Society's primary mission. (Additionally, as to the Society's immediate ability to impact climate issues, as an enterprise, it occupies a single owner-occupied, professionally maintained building, so its footprint is very modest.)

Governance – closed ended questions answered in addition to the narrative.

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

Strategy – narrative

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.*

Answer: As discussed elsewhere, the Society is a fraternal benefit society that primarily sells life insurance and does not have shareholders. The Society is not a property and casualty company that insures climate-impacted risks, nor does it have investors with climate or greenhouse gas emissions concerns. Therefore, the actual and potential impacts of climate-related risks and opportunities on its business, strategy and financial planning is very limited and is not material. The impact on the Society's investment portfolio is mentioned in other responses here.

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

Answer: Please see the prior responses that cover this.

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.

Answer: As a fraternal benefit society, offering only permanent life insurance, term life insurance, annuities, long-term care insurance, and disability income insurance to its members and their families, climate considerations do not influence the Society's underwriting decisions. While specific climate scenarios are not reviewed/tested given this profile, climate assumptions are incorporated into stress tests where appropriate (e.g., increase in pollution could lead to a reduction in longevity & morbidity). In addition, as part of the Society's investment process, the Investment Department research team utilizes ESG principles to evaluate risks and qualifications during its fundamental research phase. The team uses the definition of "materiality" to evaluate non-financial risks, with a focus on company-specific dynamics, including corporate governance, controversies, CSR (Corporate Social Responsibility) reports, and publicly available information pertaining to each company. The Portfolio Managers and Analysts review and document related material risks or opportunities in conjunction with other fundamental research. These findings are then integrated into final reports and recommendations, allowing for a comprehensive and holistic assessment. By utilizing ESG principles as an integral part of the research process, the Society gains a holistic understanding of the portfolio companies that are evaluated. In certain instances, the Society may abstain from an investment due to the potentially significant financial impacts of material risks. However, it is important to note that the decision-making process does not solely rely on ESG factors when including or excluding stocks or bonds. Finally, in addition to integrating ESG principles into the research process, the Investment Department diligently devotes significant efforts and resources to offer its clients exclusionary investment options based on faith or value-driven screens. This empowers the Investment Department to honor its commitment to clients who seek to align their assets with their missions and objectives.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

Answer: Please see prior response.

Strategy - closed ended questions answered in addition to the narrative.

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

Risk Management – narrative

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.*

   Answer: The Society has considered the impact of climate change on existing and new individual security positions within its investment portfolio. The portfolio is comprised of approximately 81.5% debt securities, with the residual in equities, preferred stock and alternative investments. Everything is managed internally except the alternative investment portfolio. The Society can only buy investment grade debt, and the rating agencies analyze, as does the Society, all relevant contingent liabilities of its borrowers including the effects of climate change. The Society only focuses on its internally managed portfolio regarding climate change ramifications. It does not price carbon in its assessment of the creditworthiness of a borrower as it does not consider this a relevant consideration at this point in time. The Society does not write property insurance, so correlating investments with life and annuity policies is unnecessary and climate change would not be a consideration in asset liability management. The Society does not have a discrete risk management value for a climate change factor but considers it in the total assessment of an individual credit.

A. Describe the insurers' process for identifying and assessing climate-related risks. In describing the insurers' processes for identifying and assessing climate-related risks, insurer should consider including the following:

   - Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.

   Answer: See prior responses.

B. Describe the insurer's processes for managing climate-related risks.

   Answer: See prior responses.

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management. In describing how the 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.

Answer: The Society's ERM strategy is to make efficient use of its resources to identify risks and address them in the proper priority, depending on the likelihood and severity of potential harm. This strategy applies equally to climate-related risks.

Risk Management – closed ended questions answered in addition to the narrative.

- Does the insurer have a process for identifying climate-related risks? (Y/N) **Yes**
    - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N) **Yes**
- Does the insurer have a process for assessing climate-related risks? (Y/N) **Yes**
    - If yes, does the process include an assessment of financial implications? (Y/N) **Yes**
- Does the insurer have a process for managing climate-related risks? (Y/N) **Yes**
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)* **Not Applicable**
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)* **No**
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)* **Yes**
- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N) **No**
- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N) **No**

Metrics and Targets – narrative

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.

Answer: For the reasons discussed throughout this survey, risk management needs and resources have not yet resulted in the need to engage in such modeling.

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).

Answer: Not applicable at this time.

B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Answer: Not applicable at this time.

C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

Answer: Not applicable at this time.

Metrics and Targets – closed ended questions answered in addition to the narrative.

- Does the insurer use catastrophe modeling to manage your climate-related risks? (Y/N) **No**
- Does the insurer use metrics to assess and monitor climate-related risks? (Y/N) **No**
- Does the insurer have targets to manage climate-related risks and opportunities? (Y/N) **No**
- Does the insurer have targets to manage climate-related performance? (Y/N) **No**