# Climate Risk Disclosure Survey

## Goodville Mutual Insurance Group

Goodville Mutual Casualty Company
Lancaster Mutual Insurance Company
De Smet Farm Mutual Insurance Company of South Dakota
De Smet Insurance Company of South Dakota

## Reporting Year- 2022

Submitted August 31 – Phil Shirk

### 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. Goodville Mutual has not made a public statement 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. Climate related risks and opportunities are handled at the group level within our Enterprise Risk Management plan. There is nothing done at the company level because the size is small and the risks are similar.

   *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. There is no person or committee on the board that has specific oversight for climate change risks and opportunities. The entire board evaluates climate change as a portion of our Enterprise Risk Management strategy.

   *B.* Describe management's role in assessing and managing climate-related risks and opportunities. Management assesses climate-related risks within the framework of the Risk Management Committee and the CFO serves as Chief Risk Officer.

### 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. The company has not engaged 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. Although we recognize the need for changes in our operations to reduce or mitigate emissions we have not put in place a detailed plan. Reduction or mitigation of emissions is considered in decisions for adding to or upgrading our property and equipment. We have installed a 83.52 kW solar array at our home office and started replacing our auto fleet with hybrid vehicles.

*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, 5-10years as medium term, and 10-30years as long term. We have not divided climate-related risks into these categories. We recognize that changes to climate are affecting much of our business including; the risks we insure, reinsurance costs/appetite, investment portfolio performance/valuation and business continuity planning. In the past we have experienced tornado and hail in Oklahoma and Kansas predominantly, but our experience in Illinois, Indiana and Ohio is reflecting increased severe convective storm activity in more recent periods. We are also monitoring our Mid-Atlantic region for increased severe convective storm and hail activity in addition to being vigilant about minimizing coastal exposure. As a result, we will need to continue working on our spread of risk and reassessing our property insurance products. At the beginning of 2023 we affiliated with De Smet Farm Mutual in South Dakota and we feel this is an improvement to our spread of risk away from Mid-Atlantic hurricane risk.

*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. We have not done this and do not have immediate plans
- Discuss if and how the insurer makes investments to support the transition to a low carbon economy. We have allocated 2.25% of our investment portfolio to a fund that invests in climate change related equity investments. We also divested our portfolio of companies with fossil fuel exposure.

*C.* Describe the resilience of the insurer’s strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario. We have not done this analysis.

## 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. We consider climate-related risks through our General Enterprise Risk Management process. Our ERM strategy involves a broad assessment by four sub-committees focused on; underwriting, credit and investment market, operations, and strategic and marketing risks. These multidisciplinary groups evaluate all potential exposures and assess probability and impact for each risk identified. When a risk is assessed to be a level 1, or highest risk, a risk tolerance statement and measurement is recommended to the Risk Management Committee. The Risk Management Committee, made up of senior leadership, finalizes any changes to the assessment and the Chief Risk Officer presents the full report to the board annually. Each quarter the board reviews a Risk Tolerance report monitoring the highest risks.

- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable. We have not engaged with our policyholders on this issue.
- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered. As I described above, the company has allocated 2.25% of our investment portfolio to a fund that invests in climate change related equity investments. It is our understanding that climate change is occurring and will impact our insurance business as well as our investment portfolio. We need to ensure that the companies we invest in also understand this certainty and are making necessary changes to their operations and business strategy. We also have concerns that some companies may be over-valued due to their assumptions regarding global climate change mitigation strategies.

*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. ERM committees meet twice a year to evaluate changing risks. All risk assessments include evaluation of financial implications but we do not prepare any climate specific financial assessments.

*B.* Describe the insurer's processes for managing climate-related risks. See #3 above

*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. They are integrated – See above
- 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. The company has not done a climate specific scenario study. Our CAT modeling does include WSST/Near Term DSSS exposures.
- 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. N/A

## Metrics & 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:
        i. 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)

       The company uses CAT modeling analysis provided by our reinsurance broker to evaluate the changing risks and impact to our book of business. We evaluate our risks to ensure exposures are not too concentrated in one area to present a loss that could put our viability in question. The analysis and modeling is not doing any specific work to predict climate change and its impact on our company. We do not use any climate metrics.

    b. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. Not determined
    c. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets. Targets have not been set