SAFEWAY INSURANCE COMPANY

2023 NAIC Climate Risk Disclosure Survey

NAIC# 12521

Governance

Safeway Insurance Company (“Safeway” or “Company”) is a small, privately held auto insurance company and writes in seven states. Safeway writes primarily nonstandard, minimum limits private passenger auto insurance. Safeway writes its business through independent agents in all seven states. Safeway does support environmental responsibility but does not have the resources nor the justification to fund a separate climate-related risk department.

Our leadership team does, however, actively manage the climate-related risk evident in each of our markets. Each of our seven states have varying degrees of climate-related risk. Each state is unique and managed by a General Manager who is responsible for mitigating climate-related risk. This is accomplished primarily via spreading the company’s risk distribution. Each state’s General Manager is also supported by the corporate office. In the event of a catastrophic climate event, Safeway’s Disaster Recovery and Business Continuity teams are prepared to enact any necessary steps to ensure the relatively seamless continuity of operations. Simulations are held at least annually to ensure that existing plans are top of mind, current, and effective.

As a small, privately held company, Safeway does not have nor make public statements regarding the Company’s climate-related goals and opportunities.

The Chairman of the Board/CEO has responsibility for the presentation and discussion of risk inherent to the business operations. This risk discussion occurs at each bi-annual board meeting and includes discussion of climate-related risk.

Strategy

With respect to climate-related risks, as it applies to private passenger auto insurance, our strategy is to minimize the impact of any single weather or climate event on the company’s operations and financial well-being. By assessing a state’s unique climate-related risks, we can mitigate the potential impact of climate-related events through specific market penetration selection and risk distribution.

Safeway (“A” rated by A.M. Best) maintains a very strong balance sheet and very low written premium to surplus ratio (0.88:1). As such, the company is also better equipped to withstand the potential impact of climate-related losses. Historically, losses from catastrophic weather events have had an immaterial impact on the insurance organization’s financial stability. Countrywide from 2014 through 2023, losses from catastrophic events have averaged only $2.7 million per year, which is only 2.0% of Safeway’s total losses. More specifically, in AZ, CA, CO, IL and NM, the average annual losses from catastrophic events are only $69k, $10k, $1.1m, $73k and $78k, respectively. In our periodic discussions with reinsurers, and with consideration to Safeway’s strong balance sheet, expertise in mitigating climate-related risks via diversification of geographic risk, and limited exposure as a private passenger auto insurer, there is no financial justification for purchasing reinsurance for the organization.

Safeway does not anticipate any significant change in the short-, medium-, nor long-term as it relates to climate-related risks and opportunities. We expect there will continue to be weather/climate events that may impact short-term financial results, but unless there is a significant change in capitalization and/or lines of business offered, we expect climate-related events to continue to be immaterial to the financial stability of the Safeway organization.

The Company does support environmental responsibility in meaningful ways. The Company offers a hybrid work option to its employees which provides the option to work from home 40% of the time. By working from home, eliminating the need to drive to work, this reduces greenhouse gas emissions. The Company has also reduced its usage of electricity, having installed smart technology, motion sensor lighting. Safeway has also invested in more efficient thermostat/furnace technology, reducing its usage of natural gas. Safeway has also made recycling more accessible to its employees in the office space and will continue its efforts to purchase more environmentally friendly office supplies. The Company has also invested significantly in technology, for both internal and external use, which significantly reduces the company's dependence on and usage of paper and postage. Unfortunately, Safeway does not have the ability nor justification to measure its reduction in greenhouse gas emissions.

While the Company does not have a formal "climate change policy", the Company does follow its Investment Policy. The preservation of capital is the primary objective, with return on investment being the secondary objective. This investment policy is consistent with a conservative approach to investing which supports a diversified investment portfolio. This approach limits our exposure to fossil fuel related investments. At any given time, Safeway's fossil fuel investments range between 2%-3% of Statutory Surplus.

Risk Management

Those in positions of leadership at Safeway have extensive experience both in terms of the private passenger auto insurance market as well as the climate-related risks faced within their respective territories. Risk management is an integral part of our day-to-day operations. Safeway's leaders are charged with limiting the Company's exposure through calculated market penetration and diversification of risk distribution throughout our markets. They are guided by historical loss data and location of loss data. Catastrophe losses (including climate-related events) are measured monthly at the state level. This allows us to identify trends and make proactive adjustments in our risk management. The success of this focus is clearly demonstrated by Safeway's results. Countrywide from 2014 through 2023, losses from catastrophic events have averaged only $2.7 million per year, which is only 2.0% of Safeway's total losses. More specifically, in AZ, CA, CO, IL and NM, the average annual losses from catastrophic events are only $69k, $10k, $1.1m, $73k and $78k, respectively. Year after year, losses attributed to catastrophic weather/climate events have remained immaterial to Safeway's financial health.

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Metrics and Targets

Safeway, a small, privately held auto insurance company that writes primarily nonstandard, minimum limits private passenger auto insurance in seven states, by definition, has very limited exposure to climate-related risks. Only approximately half of the vehicles insured by Safeway have physical damage coverage. Despite this limited exposure, Safeway still focuses on mitigating climate-related risk. Safeway does not utilize a modeling system. Rather, Safeway relies on its own historical loss data, density maps, publicly available information, and the expertise of its very experienced leadership team. With these tools, Safeway can reasonably predict expected catastrophic losses each year, at the state level. Also, with this data, Safeway can make risk distribution adjustments as necessary to limit the potential negative impacts of climate-related losses on our organization's financial performance.