+NAIC Climate Risk Survey

Reporting Year 2023

Introduction:

This report is submitted on behalf of The National Slovak Society of the USA (NSS Life), a Pennsylvania-domiciled fraternal life insurance company. NSS Life has been requested to provide a response to the Survey by one or more of the following regulatory bodies: California Department of Insurance, Connecticut Insurance Department, Delaware Department of Insurance, District of Columbia Department of Insurance, Securities and Banking, Maine Bureau of Insurance, Maryland Insurance Administration, Massachusetts Division of Insurance, Minnesota Department of Commerce, New Mexico Office of Superintendent of Insurance, New York Department of Financial Services, Oregon Division of Financial Regulation, Pennsylvania Insurance Department, Rhode Island Division of Insurance, Vermont Department of Financial Regulation, and Washington State Office of the Insurance Commissioner.

The term “stakeholder” is amorphous, meaning different things to different people, with its meaning further adapting to the context in which it is used. As used in this Survey, the term “stakeholder” broadly refers to any party with an interest in our operations. However, this use of the term does not imply or create any legal, equitable, contractual, or fiduciary rights for any such interested party, which do not already independently exist.

NSS Life writes life insurance and annuity contracts in twenty-five states. Historically, NSS Life has not experienced material losses or increases in losses due to natural disasters such as hurricanes, tornadoes, floods, or rising temperatures, nor does NSS Life currently anticipate such increases in the near future.

Governance

Narrative Questions

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.**

NSS Life Governance

We currently do not publicly state goals in relation to climate related risks and opportunities. In 2022, our Board of Directors approved a Climate Risk Policy. This policy is managed by the Compliance and Risk Manager and the ERM Committee.

The Compliance and Risk Manager oversees the day-to-day management of the policy and all ESG-related risks by meeting with management, departments, and vendors as necessary to address relative climate-related risks and opportunities. The Compliance and Risk Manger stays current with updates from the TCFD and relays any pertinent information to the appropriate people within or outside of the organization.

Board Oversight of ESG

NSS Life's ERM Committee is comprised of the President/CEO, Secretary-Treasurer/CFO, Chairperson of the Board, Audit Committee Chair, Compliance & Risk Manager, Controller, National Sales Director, and the IT Director. The ERM Committee meets twice per year at minimum but is updated on potential, critical, or related risks as needed.

With climate-related risks associated with our investment portfolio, our Investment Committee meets bi-weekly with our asset manager to discuss the portfolio and any risks or opportunities that may be present.

Closed Ended Questions

- **Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y/N)**
  RESPONSE: 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)**
  REPSONSE: Yes
- **Does management have a role in assessing climate-related risks and opportunities? (Y/N)**
  RESPONSE: Yes

- **Does management have a role in managing climate-related risks and opportunities? (Y/N)**
  RESPONSE: Yes

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

The potential impacts of climate-related risks and opportunities are minimal for a life insurance and annuity company compared to a property and casualty company. Our business strategy involves the continuous evaluation of products, services, and vendors that can help us reduce our carbon footprint while still providing the financial security our members need. Internally, we assess contractors and property maintenance companies, prioritizing “Green” or “Environmentally-Friendly” products and companies whenever possible.

We have made several eco-friendly upgrades to our home office, including converting to LED low-voltage lighting and installing automatic motion-sensing light switches to reduce energy consumption. We have also upgraded our rooftop HVAC systems to more energy-efficient models. All computer monitors are energy-efficient, and employees power down computers at the end of the day unless they plan to access them remotely after hours. Additionally, we recycle all paper, cardboard, aluminum, and plastic, and use recycled post-consumer content printer paper and paper products in our restrooms and breakrooms.

A. Short-term risks identified are investments, building and property maintenance, and day to day operations. Medium risks and longer-term risks include the short-term risks and any other potential new risks that could present themselves. Our liabilities are more interest rate and mortality related and are not significantly correlated to climate change.

B. Our Investment Committee and Asset Manager review and actively manage the portfolio with climate -risks as part of the discussions prior to an investment purchase.

C. Since our liabilities are not well correlated to climate change, a 2 degree Celsius or lower scenario would have negligible effect on our business. The relationship between our mortality rates would be relatively unchanged based on reviewed data as weather-related deaths would be offset by an increase in heat-related deaths and a reduction in cold-related deaths.

Closed Ended Questions

- **Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N) ***
  RESPONSE: N
- **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)**
  RESPONSE: N
- **Does the insurer make investments to support the transition to a low carbon economy? (Y/N)**
  RESPONSE: Y

- **Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)***
  RESPONSE: Y

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.**

Climate-related risks do not impact our underwriting. We encourage members to live a healthy lifestyle and offer programs such as a walking initiative. Our investment portfolio has been managed with climate-related risks in mind for several years, gradually reducing the number of bonds or asset-backed securities related to climate change.

A. Portfolio Management:

The portfolio manager employs various diversification metrics, including issuer, sector, and industry, measured against total admitted assets. Energy generators are evaluated for their fuel mix, avoiding high coal usage. As a life and annuity company using asset liability management, our liabilities are influenced by mortality and crediting rates. It is challenging to determine how rising sea levels might impact either mortality or inflation.

The portfolio manager considers all asset classes in terms of risk, yield, and cash flow, evaluating climate risks over a longer horizon. Longer asset classes are assessed within this context.

Financial implications are regularly assessed and discussed bi-weekly during Investment Committee calls. Risk assessments are conducted before any investment purchase.

B. Managing Climate-Related Risks:

The Compliance and Risk Manager oversees the management of climate-related risks, reviewing bulletins and updates from the NAIC and states related to climate change.

The Compliance and Risk Manager reviews relevant data, investigates potential costs and benefits, and discusses findings with the Executive Management team, department managers, employees, or vendors involved in the risk or opportunity.

The ERM committee is informed of new developments, adding them to the Risk Register and subsequent heat map for board review.

C. Integrated Risk Assessment:

The Compliance and Risk Manager, who oversees all company risk factors, ensures the process for assessing overall risk is well integrated. As a member of the ERM Committee, the Compliance and Risk Manager presents findings to the Committee, which then reports to the Board of Directors. The ERM Committee meets at least twice a year, in conjunction with quarterly Board Meetings.

Underwriting climate-related risks is not correlated with our business model. However, climate-related risks are considered with each investment. We evaluate the business, business model, and related factors of investments, assessing carbon footprints, ESG, and other climate-related factors. Timeframes are discussed based on bond maturity.

Closed Ended Questions

- **Does the insurer have a process for identifying climate-related risks? (Y/N)**
  RESPONSE: Y
    - **If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N)**
      RESPONSE: Y

- **Does the insurer have a process for assessing climate-related risks? (Y/N)**
  RESPONSE: Y
    - **If yes, does the process include an assessment of financial implications? (Y/N)**
      RESPONSE: Y

- **Does the insurer have a process for managing climate-related risks? (Y/N)**
  RESPONSE: Y

- **Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)***
  RESPONSE: Not Applicable

- **Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)***
  RESPONSE: Y

- **Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)***
  RESPONSE: Y

- **Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N)**
  RESPONSE: N

- **Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N)**
  RESPONSE: Y

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.

As a life insurer and annuity company, our business model does not correlate well with catastrophic modeling. Our members are located throughout the country, which mitigates the impact of a catastrophic event.

A. Investment Opportunities and Climate Risk:

We evaluate investment opportunities based on their benefits to our portfolio and any related climate risks. When replacing HVAC systems, appliances, computers, printers, copiers, or other equipment, we assess climate-related risks and opportunities. Energy-saving devices are preferred when applicable, and we communicate energy-saving procedures to employees to reduce consumption.

In the fall of 2023, we expanded into two additional buildings, replacing all fluorescent light bulbs with LED bulbs to reduce energy consumption and extend the frequency of replacements. This change reduced our electric bill by nearly 40%.

Catastrophic (CAT) modeling is more relevant to property and casualty (P&C) insurance than to life and annuity insurance, which is our focus. For NSS Life, the primary relation to climate change is through the investment of assets. We consider variables such as geographic location with respect to floods, hurricanes, tornadoes, fires, and other natural disasters, as well as the company's profile regarding fossil fuel use and impact.

Instead of using CAT modeling for potential events, we investigate and review the impact of these events or fossil fuel impact in our final investment strategy.

Studies on life insurance have assessed the effects of climate change and global warming on mortality rates. As global temperatures rise, heat-related deaths are expected to increase. According to a 2014 CDC study, approximately 1,300 deaths per year from 2006 to 2010 were due to extreme cold exposure, and 670 deaths per year were due to extreme heat. These numbers are likely underestimated. As temperatures rise, extreme cold exposure deaths would decline while heat-related deaths would increase. However, the reduction in cold-related deaths would outpace the increase in heat-related deaths, potentially improving overall mortality rates.

B. Emissions and Environmental Impact:

Scope 1 Emissions: These cover direct emissions from our company, such as those from HVAC systems. We have replaced these units with more energy-efficient models. We expanded to a new building in the fourth quarter of 2023 and had all HVAC systems inspected and checked for efficiency and proper maintenance. All HVAC systems are energy efficient models. We do not calculate these emissions.

Scope 2 Emissions: These cover indirect emissions from sources like the power company that supplies our electricity and the waste management company that processes our waste and recycling. We do not calculate these emissions.

Scope 3 Emissions: These cover indirect emissions from vendors, such as those related to investment assets. We do not calculate these emissions.

C. Climate Risk Management:

We have not defined specific targets to manage our climate risks, as our climate-related impact is minimal. However, we are conscious of our environmental impact and manage it appropriately.

Closed Ended Questions

- **Does the insurer use catastrophe modeling to manage your climate-related risks? (Y/N)**
  RESPONSE:N

- **Does the insurer use metrics to assess and monitor climate-related risks? (Y/N)**
  RESPONSE:N

- **Does the insurer have targets to manage climate-related risks and opportunities? (Y/N)**
  RESPONSE:Y

- **Does the insurer have targets to manage climate-related performance? (Y/N)**
  RESPONSE: Y