

# NAIC CLIMATE RISK DISCLOSURE SURVEY

## TCFD-ALIGNED QUESTIONS

### UPDATED 2022

#### 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.
- 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.*

The Rules Committee of the NYMIR Board of Governors is charged with overseeing a variety of issues, such as risk management, insurance coverages, and enterprise risk management (ERM). At our February 2024 quarterly Board meeting, the Rules Committee agreed to add oversight of the management of climate risks to their portfolio and will regularly report to the full Board on climate-related risks and opportunities. The Rules Committee also took into consideration the actual and potential impacts of climate risks at our summer 2024 Board Retreat when undertaking their annual review of our ERM policy.

Additionally, as NYMIR Executive Director, I include among my responsibilities the management of climate risks in the work I do with our Board of Governors, management company, and other professional partners. I work to understand and respond to the threats posed to our municipal subscribers and our insurance company from climate change. I do so via several of my senior management functions, including developing organizational objectives and strategies, setting policies and directions for the reciprocal, managing our environment and external stakeholders, and governing and leading the organization as its chief executive officer.

NYMIR is taking steps to ensure that Board members and our senior management have sufficient familiarity with -- and training related to -- climate risks to perform their roles adequately. As a property insurer, we have increasingly included climate risk-related educational opportunities at our Board in-service training and the Annual Meeting of our subscribers. For example, at our 30th Annual Meeting of our membership in May 2023, our Board members and other attendees participated in a presentation by Guy Carpenter's Kieran Bhatia, Ph.D., on the latest developments in weather patterns, the influence of a changing climate, and the associated risks and opportunities for insurance companies. We have also received related training presentations from Josh Darr, Guy Carpenter's Global Head of Peril Advisory, on multiple occasions. Finally, our

senior management and Board members regularly attend training from the Association of Governmental Risk Pools (AGRiP), which frequently focuses on the management of climate risks.

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

NYMIR is limited to insuring the property and casualty exposures of municipal governments in New York State. Our exposures and coverages are for the most part mandated by one or more laws or regulations, and our members' geographic boundaries are set by state and/or local law and their property, facilities and operations are located within those boundaries. Furthermore, we are mandated by Article 61 of the NYS Insurance Law to not refuse to issue, renew or cancel a policy for any eligible insurable risk solely on geographic location, so there is very little we can do to minimize our exposure to climate risks (e.g., rising coastal waters along the coast of Long Island and Westchester County). As a result of climate change, we are also seeing an increase in extended, localized weather events that cause damage in areas not formerly exposed to such risks. This is a climate-related risk. We have begun to explore the use of parametric-based insurance coverage to incentivize our members to add resiliency to their infrastructure. As an insurance company, the management company we contract with (Wright Public Entity) to operate all of our insurance functions has a work-from-home policy for all of its employees, thereby reducing their carbon footprint.

## 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.

As discussed above, NYMIR is encouraging our members to utilize parametric insurance, which is most beneficial when the municipality undertakes resiliency and infrastructure hardening measures. In our underwriting, the higher property insurance rates we provide to coastal property acts as incentive for our members to move property away from the coast and/or undertake resiliency investments. However, as a licensed insurer in New York State, we are limited in the underwriting and rate-setting strategies we can use to incentivize or reward certain behaviors by our insureds.

## 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.*

Our annual reinsurance renewal process includes a comprehensive analysis of the latest in catastrophe modeling and the trends caused by climate change, as provided by our reinsurance broker, Guy Carpenter. Their analysis, based on their proprietary cat modeling system, includes a series of metrics with which I am not entirely familiar.

\* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.