

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.

MGA Insurance Company, Inc. (MGA) is an insurance company that insures only personal auto risks, and does not insure commercial businesses nor fleets. Although MGA does not disclose a publicly stated goal on climate-related risks and opportunities, it does recognize climate related impacts on reinsurance needs as well as opportunities for MGA to improve operating efficiencies in ways that reduce emissions and protect against the impacts of severe weather events. Climate-related risks and opportunities are evaluated and managed by MGA's Board of Directors, MGA's Enterprise Risk Management team (ERM) and by managers throughout the company.

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.

As part of MGA's ERM process we actively manage our exposure to severe weather events like hurricanes, hail, tornados, and wildfires. Additionally, MGA's Claims, Product and Actuarial teams monitor our geographic footprint for coastal and inland weather event risks. We ensure that we have the appropriate staff and procedures in place to respond to weather events and ensure that we are addressing the financial risk both through reinsurance and adequate pricing, underwriting and policy design. As a company that writes only personal auto insurance, we do not insure large commercial companies, companies with a fleet of gas vehicles or buildings and structures that have the opportunity to transition to greener solutions to move toward a lower carbon economy. However, we recognize the importance of environmental sustainability and support initiatives that contribute to a greener and more sustainable future. For example, by transitioning to a paperless solution where regulatory conditions allow, we are contributing to efforts to preserve our forests and reduce waste.

Our company strives to be responsive to the evolving needs of our policyholders and the communities that we serve. As part of our commitment to responsible practices, we offer insurance coverage for low-emission vehicles that meet the acceptability rules for our program. By insuring those who adopt greener technologies, we believe we are playing a role in reducing the carbon footprint of our policyholders' vehicles.

Furthermore, we have taken proactive steps to address climate concerns within our organization itself. We have adopted hybrid and remote work practices, enabling our employees to work from home on a part-time or full-time basis. By reducing the need for daily commuting, we contribute to lowering carbon emissions and energy consumption.

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.

MGA actively monitors weather-related and economic impacts from climate-related risks just as we do with all other risks to our organization. We utilize this information, including catastrophe modelling tools, in setting our goals for our policy footprint, in purchasing reinsurance, in establishing underwriting guidelines and in adequate pricing. MGA also has backup systems and contingency plans that allow it to maintain stable operations regardless of where in the country a climate-related event may occur. We consider all types of weather and economic impacts to frequency and severity throughout the personal auto insurance environment. Although our core focus is on evaluating trends that are within the range of three to five years, we also evaluate larger or shorter timeframes with regard to specific types of weather events and regions where climate-related activity has shown to be more, or less stable. As an insurance carrier, we comply with the many regulations that govern our investments to ensure a stable investment portfolio, with the primary goal of maintaining a surplus that is sufficient to satisfy our obligations to our policyholders.

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.

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

MGA acknowledges the importance of assessing and managing climate-related risks. We take a comprehensive and proactive approach to understanding and addressing the potential impacts of climate change on our business and policyholders. We utilize a process that combines both quantitative metrics and catastrophe modeling. Through this process, we carefully assess the exposure of our business and geographic regions to climate-related physical risks. This assessment is conducted using both absolute amounts and percentages, thereby providing us with a comprehensive view of potential vulnerabilities. While we consider anticipated future developments when evaluating trends reflected in past data, as a personal lines auto insurer, we use such projections primarily as guidance, focusing on the trends indicated by past and present developments to make well-informed decisions. Catastrophe models are run annually, helping us to establish permissible loss ratios and enter into reinsurance treaties to effectively manage our exposure.

We also strategically consider climate-related risks in the establishment of acceptable diversification of our policy distribution among different coverages and geographic regions. Our experienced team evaluates these risks on a regular basis throughout the year, allowing us to adjust our targets and strategies in response to the latest emerging projections and results. This dynamic approach ensures that we stay ahead of potential risks and opportunities related to climate change.