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.

Erie and Niagara Insurance Association (ENIA or the Company) takes a strategic approach to managing climate risks that considers both current and forward-looking risks and identifies actions required to manage those risks in a manner proportionate to the nature, scale, and complexity of our business.

Although the Company does not have an independent written climate change policy with respect to risk management and investment management, the Company bases its risk management and investment management decisions on actual insurance underwriting, claims and related experience, and qualified investment advisors, respectively.

This data is incorporated into the Company's Enterprise Risk Management (ERM) process, which is designed to reasonably mitigate relevant risks affecting the organization, including the risk of weather-related events and natural disasters. Loss trends, including those caused by weather-related events and natural disasters, are closely monitored as part of the Company's ERM framework.

The Company has no publicly stated goals on climate-related risks and opportunities.

The Audit Committee of the Board of Directors is responsible for the oversight of the Company's overall ERM process, which includes components related to Climate Change Risk.

The Investment Committee of the Board of Directors is responsible for managing and mitigating climate-change risks and opportunities related to the Company's invested assets.

The Board and Board Committees are familiar with climate change risks, including those specific climate change risks that affect the Company, as it is regularly discussed as part of the ERM process.

Board Governance, including climate risk management, is done at the entity level for Erie and Niagara Insurance Association.

On a quarterly basis, or more frequent, as circumstances dictate, and, in conjunction with the Company's ERM process, the Audit Committee and Investment Committee of the Board of Directors review the reasonableness of the Company's ERM methodology, including the identification of significant risks facing the Company, review/discuss specific climate change related risks, review management's mitigation and control activities to address those risks, and/or review results of scenario analysis performed by management.

Currently, the Company has not made any formal climate commitments. As part of its investing activities, the Company will purchase "Green" designated bonds based upon yield and maturity terms.

The President/CEO is responsible for the overall management of climate change risk for the Company. All other executive officers, i.e., VP/Corporate Secretary/Human Resources, VP/Insurance Operations, VP/Information Technology, and VP/Finance/Treasurer, are responsible for executing ERM risk mitigation related to climate change risk in each of their respective areas, including reinsurance, investments, and facilities.

This simple/straight-forward management structure to manage climate change risk is proportionate with the Company's size, scale, and nature, and complexity of the Company's operations.

The Company has identified key risk categories to facilitate a portfolio view in the collection and reporting on enterprise risks. These categories align with the various key business processes by which ENIA operates its business. While risks may be tracked within certain categories, it is possible for multiple types of risk to be present in any activity or business unit. The ERM program ensures that all risks are considered within each business process and activity that ENIA undertakes.

Climate Change Risk is defined as the risk facing the Company resulting from climate change and affecting natural and human systems. Climate change risks include financial risk, physical risks, litigation risks, reputational risks, stakeholders risk, regulatory risks, and competition risks.

Climate Change Risk is identified as a Key Risk within the Strategic Risk Category in the Company's ERM Framework and Methodology document, and is addressed in the Company's ERM Risk Assessment Matrix, which is a part of the Company's ERM process that is subject to the annual ERM report filed with the NYS Department of Financial Services. Currently, the Company is not required to file an annual ORSA report.

As documented in the ERM Risk Assessment Matrix, Climate Change Risk is linked to specific control activities, i.e., monitoring and oversight activities performed by management, Audit Committee and Investment Committee of the Board of Directors, to reduce the residual risk from climate change to an acceptable level.

Senior management keeps apprised of current issues relating to climate change risk and how it affects the Company through review of NYS DFS circular letters, discussions with third party consultants, i.e., investment brokers/advisors, participation in New York Insurance Association and the National Association of Mutual Insurance Companies events/educational trainings, and review/knowledge of current issues affecting the insurance industry.

<u>Strategy</u>
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.

ENIA does not have formal climate change policies with respect to risk management and investment management. However, climate change issues in relation to weather events, i.e., catastrophes (CAT), are addressed within the Company's ERM process. The Company's actions in relation to climate change related circumstances include not writing coastal risks, and setting catastrophe retention amounts within our reinsurance program at appropriate levels.

ENIA continues to monitor our geographic concentration and product risks associated with climate change and formulates policies in this regard when warranted. ENIA Investment Guidelines limit exposure to states located in CAT-prone locations. The Investment Committee monitors New York downstate coastal exposure, including the five New York City boroughs and Long Island. Management believes these positions and guidelines limit the potential for negative financial impact in CAT-prone locations.

The Company supports key constituencies, such as the New York Insurance Association and the National Association of Mutual Insurance Companies and their educational efforts for the National Flood Insurance Program and safe building codes (the “Build Strong Coalition”).

We also work with our reinsurance partners and other stakeholders to better understand the potential climate change risks that may require risk management solutions to mitigate those risks.

ENIA is a small property and casualty carrier with one home office location (approximately 30,000 square feet). Relatively, this represents a minimal environmental footprint. However, management continually assess ways to reduce or mitigate the Company’s emissions.

The Company consistently works to reduce its dependency on hardware and related emissions by maximizing the use of virtualization technology.

Heating and air conditioning monitoring and controls to increase energy efficiency are in place. Our office is equipped with low energy lighting (LED) and motion sensor light controls have been installed in certain offices and conference rooms.

Our print function has been outsourced to a third-party vendor, which reduce emissions from our two on-site high-capacity printers. Employees work to limit printing and to duplex print whenever possible.

A cloud storage migration strategy is in place which will reduce power requirements in our data center.

We have a telecommuting option for employees, which reduces the number of employees in the office, thereby reducing power requirements and commuting emissions.

We also have a recycling policy for paper, bottles and cans and obsolete technology equipment. Our water bottle filing station helps reduce waste and plastic bottle consumption, and we support a green landscape at the home office.

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.

ENIA writes all of its business in New York State, excluding the five boroughs of New York City, Rockland, Westchester, Suffolk, and Nassau counties. Lack of coastal exposure mitigates some of the risks from East coast hurricanes and reduces catastrophic reinsurance costs.

Increases in the frequency and/or severity of weather activity (hurricanes, microbursts, straight-line wind, tornado and hail) would increase the need for improved risk-based pricing of our products. Increased weather related exposures would need to match availability and affordability of reinsurance and be factored into our pricing models.

The Company uses a variety of catastrophe models to evaluate the impact of climate change events on our book of business over the short, medium, and long-term. We utilize our reinsurance broker to run both the RMS and AIR catastrophe modeling systems to help manage our exposures to Hurricane, Severe Convective storm and Winter Storm.

The return period expected losses, include return periods that range from 20 years to 1,000 years, are reviewed relative to surplus both prior to reinsurance and net of reinsurance. The modeling allows management to determine how much risk the Company is willing to take on and what level of reinsurance is needed to effectively mitigate this risk.

As it relates to the investment portfolio, the Company's fixed maturity investment strategy emphasizes proper diversification by issuer and geographic location, which effectively reduces the risk within the portfolio from any potential climate related event that could erode asset values, such as a natural catastrophe striking a particular geographic location.

Our investment portfolio is composed of substantially high-quality investment grade fixed income securities; the investment risk presented by climate change is considered when setting investing limits, i.e., New York State downstate exposure, as well as CAT-prone locations. The Company will also purchase "Green" designated bonds based upon yield and maturity terms.

ENIA recognizes that climate change may have an adverse impact on certain industries or individual investments. The Company seeks to mitigate this risk by having a broadly diversified investment portfolio by sector, asset class, security type, industry and geography. The Company's equity portfolio is based upon an asset allocation theory, and substantially all investments are in indexed mutual funds verses individual corporate stock holdings.

To encourage our policyholders to reduce losses caused by climate change influence events, the Company offers on its website a Loss Prevention Resource page. The page includes loss control information related to summer and agricultural safety techniques and winter related loss control such as "How to Avoid Frozen Pipes".

ENIA's climate-related risks are addressed through the Company's formal ERM process, which is managed and monitored by senior management, the Audit Committee, the Investment Committee, and/or the full Board of Directors, as applicable, throughout the year.

Annually, or more frequently, as circumstances dictate, the following key documents that encompass the ERM process are reviewed and updated by senior management and the Audit Committee or Investment Committee, as relevant:

- ERM Framework & Methodology Document
- ERM Risk Assessment Matrix
- ERM Risk Tolerance Dashboard
- ERM Scenario Analysis

Each document includes the identification of climate change risks, actions the Company takes to mitigate those risks, and the net resulting impact these risks have on the Company's operations and financial position.

The Company has identified Climate Change Risk as a key risk within its ERM process. In addition, the Company's ERM function addresses climate change impact, as applicable, on the following other key risk factors:

- Credit Risk
- Legal Risk
- Investment Risk
- Liquidity Risk
- Market Risk
- Underwriting Risk
- Operational Risk
- Pricing and Risk
- Reputational Risk
- Strategic Risk

<u>Metrics and Targets</u>

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.

ENIA actively manages growth in exposure to climate risk through prudent underwriting practices, by maintaining a strong surplus position, purchasing appropriate levels of reinsurance, and encouraging risk reduction by our policyholders through the inspection process.

We have business continuity and disaster recovery plans in place, which will expedite our return to normal business after any business interruption event including weather closings.

As previously noted, the Company uses a variety of catastrophe models to evaluate the impact of climate change events on our book of business over the short, medium, and long-term. We utilize our reinsurance broker to run both the RMS and AIR catastrophe modeling systems to help manage our exposures to Hurricane, Severe Convective storm and Winter Storm.

The return period expected losses, include return periods that range from 20 years to 1,000 years, are reviewed relative to surplus both prior to reinsurance and net of reinsurance. The modeling allows management to determine how much risk the Company is willing to take on and what level of reinsurance is needed to help mitigate this risk.