NAIC Climate Risk Disclosure Survey Response

Vault Holdings Group

NAIC Group Code 5000

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Contents

1. GOVERNANCE

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 -related financial risks.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

GOVERNANCE RESPONSE

A. The oversight of climate-related risks and opportunities is vested in the board of directors. The board members are entrusted with the responsibility of remaining informed about the potential risks and opportunities associated with climate change. To aid in this responsibility, the board has established the board's Risk Committee, which provides valuable insights and guidance.

B. Management plays a pivotal role in the evaluation and management of climate-related risks and opportunities. Specifically, senior management assumes the responsibility of imparting knowledge and awareness to the board. They achieve this through a series of educational presentations and regular updates throughout the year. This crucial task is executed in coordination with the Enterprise Risk Management process, which is overseen by the executive management team.

Although the company does not publicize specific objectives, the organization supports and encourages initiatives concerning climate-related matters. At a collective level, our approach to addressing climate risks involves vigilant monitoring and rigorous assessment of risk concentrations. To enhance this approach, the Enterprise Risk Management Committee conducts a comprehensive annual analysis and review, thereby contributing to a robust framework for effectively managing all aspects tied to climate related risks and opportunities.

2. STRATEGY

Describe 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, 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.

STRATEGY RESPONSE

The company has conducted a comprehensive analysis of climate-related risks and opportunities across short, medium, and long-term horizons, aligning with our commitment to Enterprise Risk Management (ERM). Our strategy revolves around recognizing the potential impacts of climate change on our business, strategy, and financial planning.

A. Climate-Related Risks and Opportunities:

In the short term, we've identified climate-related risks centered on the increasing frequency and severity of weather events. These events have the potential to trigger property losses, impacting our core operations. This prompts us to continually review our rates and underwriting guidelines and adjust them to account for these evolving risks.

Over the medium term, our focus remains on climate change's potential to disrupt our business landscape. We are attentive to shifts such as heightened wildfires, including in locations where wildfires have not traditionally been an area of primary concern, and extreme weather patterns that can influence our portfolio. By integrating climate considerations into our rate-setting and product development processes, we aim to proactively respond to these emerging risks.

In the long term, our strategy acknowledges the profound impact of climate change on our overall business sustainability. We are committed to staying ahead of the curve by taking immediate rate actions and product adjustments in the short and medium term. We also diligently monitor climate-related trends to ensure our offerings are aligned with evolving market dynamics, preventing potential disruptions.

B. Impact on Business, Strategy, and Financial Planning:

Climate-related risks and opportunities are pivotal to shaping our business landscape. We consciously make adjustments in underwriting approach and rating as necessary to manage coastal property exposure vulnerable to Atlantic hurricanes. Similarly, our approach to wildfire exposure management underscores our commitment to managing evolving risks effectively.

Our operational changes, like reduced in-office workdays, not only decrease auto emissions and fuel consumption but also align with our resilience strategy by fostering a flexible work environment. Moreover, our emphasis on digital marketing materials and encouraging policyholders to opt for electronic correspondence signifies our commitment to reducing paper usage and associated emissions.

C. Resilience and Climate-Related Scenarios:

Due to the size of the company, we do not have the present resources/capabilities to fully analyze different climate related scenarios as suggested in this question, however, the company's strategy showcases resilience through diverse climate-related scenarios, including a 2-degree Celsius or lower scenario. Our transparent communication, both in marketing materials and agent education, underscores our adaptability and commitment to risk mitigation. Furthermore, our engagement with vendors to secure discounts for policyholders on services that mitigate climate-related risks exhibits our strategic anticipation of challenges and willingness to proactively address them.

The company's strategic outlook acknowledges the far-reaching implications of climate-related risks and opportunities. Our risk-mitigation measures, operational adjustments, and proactive engagement with stakeholders reflect our commitment to navigating climate-related challenges across short, medium, and long-term horizons. Through adaptive strategies, continuous monitoring, and collaboration, we are positioning ourselves to thrive in a changing climate landscape while upholding our commitment to customers and sustainability.

3. RISK MANAGEMENT

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.

RISK MANAGEMENT RESPONSE

The company has a comprehensive approach to addressing climate-related risks, encompassing their identification, assessment, and management within their overall risk management strategy.

A. Identifying and Assessing Climate-Related Risks:

The company places emphasis on recognizing and evaluating climate-related risks. These risks are identified through the ERM Committee’s quarterly meetings and ongoing review of evolving and emerging risks, which are then communicated to the Risk Committee. In this procedure, climate-related risks are reviewed regularly to ensure an up-to-date understanding of potential hazards.

Furthermore, the risk review documents and the Enterprise Risk Management (ERM) plan undergo review by both senior management and the board of directors along with the relevant board committees. This collaborative evaluation fosters a comprehensive understanding of the evolving climate-related risks that may impact the company's operations.

B. Managing Climate-Related Risks:

The company's proactive management of climate-related risks is evident in its underwriting practices. These risks are intrinsically integrated into the underwriting portfolio through frequent rate reviews and adjustments to its underwriting guidelines as appropriate. By incorporating climate-related risk into these assessments, the company ensures that the pricing reflects the potential exposure to climate-related events.

The company incentivizes policyholders to actively manage their own climate-related risks by providing incentives to those who take steps to mitigate loss exposures. This aligns with the company's commitment to shared responsibility in risk management. Moreover, the company's marketing and communication strategies, such as informative blog posts and targeted social media campaigns, empower policyholders with the knowledge to assess their homes' preparedness for climate-related events.

C. Integration into Overall Risk Management:

The company’s focus on risk concentration management is pivotal to effectively addressing property underwriting exposures. The company's concentration on regional weather-related events, which are among its most substantial exposures, is managed through constant risk concentration monitoring.

The company maintains a vigilant approach to risk diversification by limiting coastal exposures and securing reinsurance coverage. Industry simulation models provide an accurate measure of catastrophe exposure, factoring in the anticipated changes in hurricane frequency due to climate conditions. Our catastrophe models incorporate the latest storm data and assume the Warm Sea Surface Temperature view to account for the impact of climate change on risk assessments. This approach enables the company to make informed decisions regarding the level of reinsurance required to buffer against large losses.

The company's investment policy, while not explicitly targeted at climate-related investments, allows for investments in “green” industry, provided they satisfy other investment metrics. As major companies within the S&P 500 address climate risks, the company's investment portfolio naturally aligns with these developments. Furthermore, our investment advisor has implemented a robust ESG program and scoring methodology into its investment strategy, which has been awarded 5 out of 5 starts for ESG integration across all asset classes by the UN-supported Principals for Responsible Investment (PRI).

The company's systematic approach to identifying, assessing, and managing climate-related risks is deeply ingrained in its risk management processes. Through active involvement of management, the board, and various committees, the company ensures a comprehensive understanding of these risks. This approach extends from underwriting to investment practices, reflecting a holistic strategy for safeguarding its operations and assets from climate-related challenges.

4. METRICS AND TARGETS

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.

METRICS AND TARGETS RESPONSE

The company has not adopted targets or metrics specific to climate-related risks or opportunities. The company's normal rate change process, underwriting guidelines, and policy form coverage adjustments function as a mitigating factor to the gradually increasing losses which are expected to result from climate change. Normal rate reviews account for the trends of both past incurred losses and future changes to loss trends which may be impacted by climate change. Catastrophic (CAT) loss likelihood is factored into these rate reviews and considered at the entity level as part of reinsurance decisions. The company performs both internal review of CAT losses and predictions as well as review of CAT models and predictions provided by outside vendors and reinsurers.