Governance – narrative

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.*

Answer:

The Board of Directors and Leadership of MMG Insurance Company consider corporate risk management a central and integral part of the Company's strategic management. It is the process whereby the Company identifies and addresses methodically the potential events that represent risk to the achievement of strategic objectives or opportunities to gain competitive advantage.

Under our Enterprise Risk Management (ERM) framework, oversight of climate-related risks sits primarily with the Audit Committee of the Board of as part of its oversight of ERM. Identification, strategic direction, and management responsibilities are delegated to Senior Management.

As shown in the ERM roles and responsibility chart below, the ERM program is led by the Company's CFO, who serves as Chief Risk Officer. Executive leadership is charged with oversight of the ERM program and make up the ERM and Compliance committee. The ERM and Compliance Committee oversees ERM strategy and processes with updates to the Board of Directors through senior leadership. The ERM and Compliance Committee prioritizes risks facing the company, including climate risks, developing recommendations and plans reviewed by the Board, Audit Committee and Executive Leadership. The ERM process engages risk owners (Management) from across the Company, and they operate on the ideals of open and transparent communication with the Board. The frequency at which information is shared is contingent upon the critical area and individual circumstances.

Role	Responsibility
Board of Directors/ Audit Committee	Responsible for risk management oversight and approving the risk management strategy
Executive	Champions of the risk management process and ensures risks are managed effectively, holding managers accountable. Sets "Tone at the Top".
ERM (Risk) & Compliance Committee (New)	Develops the risk management strategy and supporting framework. Executes risk management objectives. Committee reports to the Audit Committee on the effectiveness of the strategy and the enterprise risk register. Oversees administration of the ERM program and policy.
Risk Management & Compliance	Acts as the lead risk ERM contact and assists in facilitating ERM processes. Performs risk assessments with risk owners and maintains the enterprise risk register. Reports on risk activities to the ERM Committee.
Risk Owner(s)	Serves as a Subject Matter Expert (SME) for their respective risk(s). Applies quality decision process to: • Identify risks and assess risk exposure, causes and consequences • Develops and coordinates the implementation of mitigation/exploitation activities and controls • Monitors related risk indicators and related risk events • Owns and reports out on exposures and risk mitigation status. • Elevates emerging risks to relevant risk committees or ERM committee
Risk Sub-Committees	Structured and/or ad hoc committees established to implement a cross-functional approach to manage specific risk exposure(s). Each committee will be responsible in report to the ERM Committee on risk exposure, response recommendations and emerging risks.
Employees	Manages risk effectively in their roles and reports risks to management.

While we may not have publicly identified goals on climate-related risks or opportunities, the Company is committed to actively regard and continue evaluating the impact of climate on the future of our business, while taking operational measures to reduce the Company's carbon footprint.

Strategy – narrative

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:

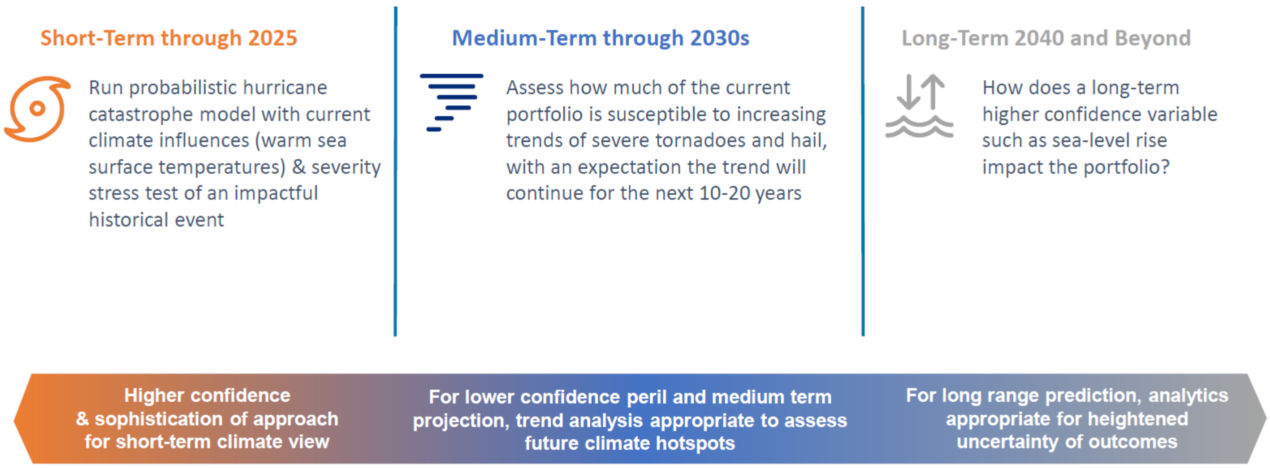
- Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.
- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

Answer:

Our Identified Climate-Related Business Risks:

As the Company continues to actively monitor climate change and other potential emerging risks as part of the ERM program, we work strategically with our reinsurance broker, Guy Carpenter, to assist with corporate risk modeling, which includes the risks to the corporation's capital from the *effects of climate change and modeling a variety of weather impact scenarios over the short, medium, and long term as shown below.*



The Company utilizes exposure, scenario, historical, and modeled assessments to perform impact analysis on several climate related perils, such as hurricane, severe convective storm, wildfire, and winter storm. In addition, the Company considers other risks as drivers of future climate action, such as increased regulatory risk, territorial resiliency (aging infrastructure, supply, etc.), business continuity, social pressure, and investment risk. We will continue to work with Guy Carpenter to expand climate change impact analysis to build strategies to manage risks both short and long term.

Risk management remains core to MMG's culture. Embracing thorough catastrophe analytics, while tackling the climate challenge, is intended to put MMG in a favorable position to manage risk to the firm

In coordination with the Company's Board of Directors, senior leadership of the Company engaged a consultant, Price Waterhouse Coopers, to actively pursue a corporate Environmental, Social and Governance (ESG) strategy. As part of that strategy, the Company will be consulting with its investment advisors to monitor climate risk considerations in future investment guidelines.

Our Identified Climate-Related Business Opportunities:

MMG has taken the following steps to reduce greenhouse gas emissions and our carbon footprint in our operations:

- *MMG Insurance Company is committed to and has a history of environmental stewardship. In an effort to reduce our emissions, energy consumption, and reducing our carbon footprint, we have taken the following actions:*

- *MMG's home office was expanded and extensively renovated in 2006 through 2007. Within this work, a premium was placed on natural light through changes in floorplan and cubicle design.*
- *MMG has installed energy efficient lighting in both the home office building and parking lot, including replacing 250+ interior lighting fixtures with LED lighting to reduce its long-term energy demand.*
- *MMG has installed the necessary equipment to convert from oil heating to cleaner burning propane gas heating.*
- *MMG has upgraded the building management system to provide more granular control of building systems. This results in increased energy efficiency.*
- *MMG adjusted our data center HVAC to take advantage of "free natural cooling". This allows us to take advantage of the cooler northern Maine outside air temperatures to dramatically reduce cooling costs in our data center.*
- *MMG has expanded the motion detector lighting controls throughout the entire home office building including common areas, workspace areas, conference rooms, offices, and restrooms.*
- *MMG has modernized our fleet vehicles to 4-cylinder Ford Fusions with EcoBoost engines, in order to improve gas mileage/energy efficiency.*
- *MMG modernized cleaning products by installing an Ozone (water ionization filter) cleaning solution that uses nature water to sanitize surfaces. This has eliminated the use of several chemicals required to clean floors, bathrooms, windows, and many other surfaces.*
- *MMG participates in a hardware recycling project, that allows old computers to be repurposed to lower-income individuals who could not otherwise afford one.*
- *MMG is exploring a carbon offset initiative in partnership with a land management company and educational institution.*
- *MMG continues to explore the feasibility of solar technology for generating the majority of electricity needs at its home office.*

Risk Management – narrative

1. *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.

Answer:

As an insurer, our operations expose us to claims coming from severe weather events including, hurricanes, severe convective storms, hailstorms, severe winter weather and windstorms. Climate change-related risks are identified and assessed through various means.

First, in partnership with our reinsurance broker, Guy Carpenter, exposures are modeled to identify aggregate limits and probable maximum losses by class of business, geographic area, and individual risks therein. This process is done at least on an annual basis, with scenarios and exercises coordinated throughout the year. MMG closely monitors the concentration of wind exposed property risks. Our underwriters continue to use a desktop application provided by Guy Carpenter to assess exposure to wind driven weather risks when evaluating potential new policies. This work contributes to decision making within MMG's catastrophe reinsurance program in order *to mitigate the financial impact of weather driven catastrophic events. The company evaluates the program annually, along with other reinsurance covers.*

The Company utilizes exposure, scenario, historical, and modeled assessments to perform impact analysis on several climate related perils, such as hurricane, severe convective storm, wildfire, winter storm, and accumulations of coastal properties subject to a rise in sea level. In addition, the Company considers other risks as drivers of future climate action, such as increased regulatory risk, territorial resiliency (aging infrastructure), social pressure and investment risk. We will continue to work with Guy Carpenter to expand climate change impact analysis to build strategies to manage risks both short and long term, to ensure exposure is within tolerance levels.

MMG uses various forms of policyholder communications as a medium for education and awareness (mailings, e-mail etc.) to encourage loss prevention initiatives among our insureds for all perils, including weather related perils (e.g., roof shoveling in winter, tree maintenance, etc.). MMG inspects properties at time of underwriting and makes specific loss prevention recommendations when warranted. We also periodically re-inspect the existing book of business and make loss prevention recommendations as necessary.

To date, MMG has not made changes in its investment portfolio based on the potential impact of climate change. However, as stated above, MMG's Board of Directors, through its Investment Committee, is monitoring ESG evolution through its investment advisors.

The duration of MMG's fixed maturity portfolio and thus its investment horizon is short relative to time horizon for potential climate change. Although MMG's investment guidelines do not directly address climate change, both of its investment advisors, Conning Asset Management and NEAM, monitor ESG.

The results of the above efforts to identify and mitigate key climate risks all aggregate into the Company's ERM portfolio of risks and the tolerances set within all key risk areas: Strategic, Operational, Underwriting, Market, Credit, and Emerging. Acceptable levels of aggregate capital risk are considered annually in conjunction with our strategical action planning process and reflected in the Company's risk appetite statement.

Metrics and Targets – narrative

3. *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.*

Answer:

For MMG's business exposed to natural catastrophe, we monitor our exposure to catastrophic events, including hurricanes, sever convective storms, snowstorms, wind, and hail events, and periodically reevaluate the estimated probable maximum pre-tax loss for such exposures, in coordination with our reinsurance program. We seek to limit our 1-in-100-year return period net probable maximum loss from a severe catastrophic event to approximately 15% of surplus to fit our risk appetite. Using AIR modeled assessments, our current exposure is well within our risk appetite levels at approximately 10%. In addition, average annual loss (AAL) metrics are monitored on a per-risk basis, to ensure percentage exposure relative to total insurable value is within tolerances and risk density and aggregation are also within tolerance and MMG's risk appetite. All business growth is monitored across multiple facets to limit adverse selection as well as risk tolerances for peak zones.

The Company utilizes capital modeling in partnership with Guy Carpenter to monitor the exposure to capital adequacy from climate related events. On an annual basis, stochastic modeling is done to assess the impact of a 1-in-100-year storm would have to our BCAR score at the 99.6 VaR level. To maintain the strongest capital assessment, the BCAR score should be greater than 25 at 99.6 VaR. Our current assessment shows a 99.8% probability of remaining above the BCAR score of 25 at the 99.6 VaR level. Our actual measured 2021 BCAR score was 56.01, indicating a very strong capital position.

Our appetite for natural catastrophe risk is determined by our overall mix of business, market conditions, regulatory constraints, and costs of capital. The key to mitigating this risk is the diversification of risks across territory and product.