UTICA FIRST INSURANCE COMPANY

CLIMATE RISK DISCLOSURE SURVEY

THIS REPORT OUTLINES THE PRIMARY FACETS OF HOW UTICA FIRST INSURANCE COMPANY (NAIC #15326) IS DEALING WITH ONGOING CLIMATE CHANGE AND ITS IMPACT ON THE COMPANY.

CLIMATE CHANGE IS A GLOBAL CONCERN IMPACTING ALL FACETS OF OUR SOCIETY. WITH INSURANCE BEING A NECESSARY TOOL TO ASSIST WHEN LOSSES OCCUR, THE INCREASING IMPACT THAT CLIMATE CHANGE HAS ON THE WORLD IS OF UNDENIABLE IMPORTANCE TO THE INSURANCE INDUSTRY, AND UTICA FIRST INSURANCE BEARS THIS EXPOSURE ALONG WITH ALL OTHER INSURERS.

AS CLIMATE CHANGE CONTINUES TO POSE NEW AND INFLATED RISKS TO THE INDUSTRY AND UTICA FIRST SPECIFICALLY, OUR MENTALITY AND STRATEGY TO ADAPT FOR IT MUST CHANGE AND BE CONTINUOUSLY MONITORED. RISK APPETITE AND SELECTION, INVESTMENT PORTFOLIO, LIQUIDITY POSITION, AND REGULATORY OVERSIGHT ARE OF PARTICULAR IMPORTANCE TO US.

UTICA FIRST HAS IDENTIFIED THE FOLLOWING SPECIFIC CATEGORIES OF CLIMATE CHANGE RISK TO THE CORPORATION:

INSURANCE/UNDERWRITING RISK – This is the risk that climate change poses to our risk selection. There is no denying that rising sea surface temperatures (SST) have impacted weather patterns resulting in more frequent and severe storms in the last decade. Additionally rising sea levels poses significant risk to the corporation’s risk portfolio.

LIQUIDITY/INVESTMENT RISK – Utica First must be sure its investment portfolio has accounted for ongoing climate change and that’s its specific investments bear as little impact to climate change as possible. This means the company will focus its investment portfolio on instruments that are sheltered from the impacts of climate change and its stock portfolio is made up of investments in corporations that have already or are in the process of adjusting for the impact of climate change. This investment strategy and its conservative nature should result in the company having a liquidity position that amply supports the risk it has assumed in its policy writings.

REGULATORY OVERSIGHT RISK – This is risk that is presented when state or federal regulations impact the company, and the insurance contracts it has written. Regulations which are enacted after climate related events such as moratoriums on cancellations and non-renewals, forgiveness of premiums, and inability to enact contract terms such as windstorm deductibles all place a significant burden on the company. Monitoring these actions and predicting on a go forward basis will help the company select risks and exposures that the company can manage and control and will not place it or its policyholder owners in a financially tenuous position.

TCFD INDEX

The following index has been structured to meet the reporting recommendations as outlined in the Task Force on Climate-Related Financial Disclosures (TCFD) pursuant to the suggestions of the Financial Stability Oversight Council. It will specifically address the corporations Governance, Strategy, Risk Management, and applicable Metrics and Targets to gauge its progress on adjusting for the ongoing impact of climate change.

GOVERNANCE

TOPIC	GOAL	PROGRESS
UTICA FIRSTS BOARD LEVEL OVERSIGHT	Implement a delegate from the Board of Directors to oversee the corporation's dealings as regards climate change by 8/15/2022.	The board of directors has appointed the company's CEO and President Scott Shatraw, who is a Board member, to be the climate risk delegate. As the delegate he reports to the board regarding the corporation's climate change related actions, and he will communicate the Board's directives relating to climate change down to management level staff members.
UTICA FIRSTS MANAGEMENT LEVEL OVERSIGHT	To have management level staff communicate the Boards expectations regarding corporate actions as necessitated to address climate change.	➢ Utica First management staff monitors climate related issues via its industry involvement in several organizations including APCIA, NYIA, PAMIC, ICNJ, PIA, AAIS, and AICP. ➢ Utica First has incorporated all facets of climate change and its impact on the corporation into its Enterprise Risk Management (ERM) plan. This plan is reviewed and updated on a semi-annual basis. ➢ Utica First has included the monitoring of cat modeled Probable Maximum Loss (PML) exposures into its ERM to ensure proper surplus to premium ratios are within acceptable limits as well as AM Best's Capital Adequacy Ratio (BCAR) at Value at Risk (VaR's) scenarios up to a 99.6 level are sufficient to maintain the corporations A rating. ➢ Utica First monitors the impact climate change may have on its investment portfolio using the services of Conning. This is done at the Board of Directors level via the Investment Committee. Its current investment strategy is to ensure that all equity holdings are primarily in corporations that are insulated from or inelastic to climate change. ➢ Utica First has incorporated into its ERM the monitoring of both Federal and State level environmental legislation and the impact changing laws may have on the corporation.

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STRATEGY

TOPIC	PROGRESS
UTICA FIRSTS IDENTIFIED CLIMATE RELATED RISKS BY TIMEFRAME	SHORT TERM: Short term is defined by the corporation as 12 - 18 months. For this timeframe Utica First continues to monitor its concentration and aggregation of climate exposed risks, with a particular focus on those near a coastline. Utica First takes strategic action to monitor and amend premium charges that adequately reflect the exposures risks of this nature present. Utica First is also taking action to control and/or reduce its risk base in Catastrophe prone areas such as those exposed to increased threat of hurricane/windstorm, tornado, hail, and rising sea levels. MID TERM: Mid-term is defined by the corporation as 18 - 60 months. For this timeframe Utica First is monitoring its portfolio of available insurance product offerings with the intent of determining if catastrophe exposed products such as its Homeowners products should continue to be offered, and if so, what product changes need to be made to continue offering these products. Utica First will also review its sales channels to determine if its sales partners in areas that are prone to the impact of climate change need to be reduced or changed. LONG TERM: Long term is defined by the corporation as 60 months and beyond. For this timeframe Utica First will monitor the impact climate change will have on its products and profitability and it will review potential changes to its geographic footprint. It will analyze whether it should offer different products and whether it should offer its products in new states or geographic regions to help minimize and control the impact climate change will have on the corporation.
CLIMATE RELATED RISK IMPACT TO UTICA FIRST FROM VARYING PERSPECTIVES	BUSINESS: Utica First is cognizant of the impact climate change will have on its core book of business. As exposure increases, premiums and coverages must be adjusted to adequately compensate for the increased exposures and the increased cost of reinsurance. Furthermore, Utica First is aware that industry trends and competitive forces presented when others react to climate change will impact our ongoing operations. Competitors and partners entering or exiting the industry will all have impacts on our core books of business. We have recently become aware of a key competitor who is pulling out of lines of business because of their inability to purchase Cat reinsurance, and therefore these types of exposures will need to be monitored with necessary action being prioritized as an urgent business need as necessary. STRATEGY: Utica First will continue to make climate change a key determinant in its strategic planning and decision making. Utica First plans to use emerging technology, analytics, and AI/ML for risk selection and pricing strategies. Utica First prescribes to the notion that sharing the increasing costs that climate change poses to the company with those policyholders who choose to live in Cat prone areas and climate change heavily impacted locations is Best practices and best protects the diverse policyholder owners of the company.

	FINANCIAL PLANNING: Utica First plans to partner with its Cat reinsurers from a technology perspective to generate location specific cat exposure premiums based on average annual loss measurements for each location, and it will pass portions of those premiums on to the policyholder to ensure the financial stability of the company. As reinsurers and vendors such as AIR and RMS Cat modeling technology improves, their ability to accurately predict the impact and future costs of climate change on the company's specific book of business improves tremendously. An API which provides location specific pricing is the best strategic option available to the company at the current time and for the near and midterm foreseeable timeframes.
ANTICIPATED RISKS AND RESILIENCY OF UTICA FIRSTS CLIMATE RELATED RISK STRATEGIES	Utica First analyzes the potential impact of climate-related changes as part of our strategic planning process as well as during our annual Catastrophe Reinsurance planning process. Our strategy has been to decrease market share in both commercial and personal property and casualty business for risks in geographic areas prone to increased severe weather patterns. After experiencing several catastrophe losses from 2017 - 2020, Utica First has repositioned its book of homeowner's business by reducing writings in areas near the CT, NJ and NY coastlines and has placed varying new business moratoriums on risks within certain distances to the coastline. Additionally, by partnering with our reinsurance partners and their Catastrophe Modeling and Analytics Teams and Pricing Groups, we monitor climate change information as part of their analysis of weather-related trends. Models developed by third-party vendors such as AIR and RMS are used along with our historical data in assessing property insurance exposure to all types of catastrophe losses including severe convective storms, ice/snow, wind, etc. Losses and changes in exposure are analyzed and reported to our leadership team. Our stress testing focuses on predicting business continuity, resiliency, and solvency through a variety of catastrophe scenarios. To date these efforts have led to a 10.8% reduction in Total Insured Value in our homeowners' lines of business in a time span of 18 months. Our continuing efforts will be to write more business that has a controllable and measurable exposure to climate change and to cap and adequately reinsure all our business, including those policies that are more prone to the impacts of climate change. Our investment committee will continue to monitor the catastrophe exposure of real estate investments and portfolios. In summary, Utica First measures and monitors insurance risk (which includes claims frequency and claims severity and catastrophes and severe weather) with different approaches, including stochastic methods and scenario analysis in conjunction with the assistance of our reinsurance partners and their modeling tools.

RISK MANAGEMENT

UTICA FIRSTS PROCESS FOR DETERMINING CLIMATE RELATED RISKS	Utica First manages its exposure to the impact of climate change on our business as part of our Short- and Long-Range Planning process, our ERM plan, and annually during our Catastrophe Reinsurance Planning process.
WAYS UTICA FIRST MANAGES CLIMATE RELATED RISKS	Utica First manages its climate related risks by setting annual corporate goals for business growth in various segments and geographic regions and by establishing various metrics the corporation will use to ensure those goals are met. Using our internal actuary and in conjunction with our reinsurance partners, who use various modeling tools, we monitor our progress and pricing adequacy and establish 12 – 60 month plans of action to accomplish the goals we have created which ensure the impacts of climate change to our business portfolio are monitored and controlled.
WAYS BY WHICH UTICA FIRST MONITORS AND ANALYZES NEW CLIMATE RELATED RISKS	Utica First monitors and evaluates its risks and return opportunities across six key categories: strategic, insurance, financial, investments, operational, and culture. Climate change impacts all these categories: • Strategic: changes to property construction trends and building codes etc. create risks and opportunities • Insurance: rising severe weather and precipitation levels impact loss trends for our business and homeowner's insurance products, and change the overall market appetite for homeowner's insurance • Financial: liquidity and capital levels must be considered relative to catastrophe losses while potential new financial disclosure requirements could also increase financial reporting risk • Investments: there are risk implications for specific holdings and sectors, as well as opportunities in "green" investing • Operational: considerations include regulatory compliance, model accuracy and business continuity • Culture: employees, business partners and clients/policyholders are establishing higher standards for acting in the best interest of society and corporations that are deemed 'morally responsible' will be chosen over those that are not.

METRICS AND TARGETS

TOPIC	GOAL	PROGRESS
CLIMATE RELATED RISK METRIC #1	AM Best Stochastic BCAR scores of Cat Modeled PML's at VaR's of 95, 99, 99.5, and 99.6 are all above 40 to meet the requirements for a 'A' Rated carrier.	Cat Modeled Probable Maximum Losses (PML's) are monitored and controlled on an annual basis to ensure Value at Risk (VaR's) at 95 (1 in 20-year storm), 99 (1 in 100-year storm), 99.5 (1 in 200-year storm), 99.6 (1 in 250-year storm) are sufficient to maintain a AM Best Capital Adequacy Ratio measurement/score necessary to maintain our current A rating. Currently our anticipated scores for 2022 Y/E using June 2022 data are: @95 – 77.3 @99 – 65.8 @99.5 – 54 @99.6 – 45.6
CLIMATE RELATED RISK METRIC #2	Controlled Management of Cat Modeled Average Annual Losses based on chosen modeling methodology	Utica First monitors its Cat modeled AAL's on an ongoing basis. Our Homeowners, Landlords, and Resident Landlords business are the key drivers of our modeled AAL loss totals and therefore the corporation has a risk metric that states that the premium derived from these lines of business must be 30% or less of our total premium volume. As of Y/E 2021 these lines totaled 22.99% of our total premium. This goal is in place to keep our modeled AAL and Cat reinsurance costs within our planned/budgeted ranges. Our prior year metric for these lines of business was 24.73% and therefore this metric is down 7.03% from the prior year. This reduction was planned due to the increasing impact of inflation and increased costs of construction and has resulted in the following 12 month change in our Cat reinsurance modeled AAL's: @95 – 3.8% reduction @99 – 0.7% reduction @99.5 – 0.2% reduction @99.6 – 0.3% reduction

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CLIMATE RELATED RISK METRIC #3	Scope 1 GHG Emissions Control - Reducing the corporations carbon footprint.	Utica First has recently performed major renovations throughout its home office which have resulted in a reduction of its carbon footprint. The corporation replaced its entire climate control system with a new high efficiency system which uses less energy/fuel to run. It also implemented additional climate zones thereby enabling the corporation to only use climate control in regions where personnel are present. It also installed all new LED lighting which also includes motion sensing technology throughout all areas of the building which ensure lighting is only used when personnel are in each area. Furthermore, it installed new roofing which reduces the loss of temperature-controlled air from the building thereby reducing the corporations need to run climate control equipment and the fuel needed to run this equipment.
CLIMATE RELATED RISK METRIC #4	Scope 2 GHG Emissions Control – Reducing the corporations Indirect carbon footprint	Utica First does not currently have access to alternative sources of energy sources. The energy supplier that services the corporations home office location has a monopoly on the region in that it is the only available source of gas and electricity. However, if alternative sources become available for use the corporation will vet on a proforma and availability basis if any alternative sources can fulfill any of the corporations needs and whether doing so will reduce the corporations Scope 2 GHG emissions.
CLIMATE RELATED RISK METRIC #5	Scope 3 GHG Emissions Control – Reducing the corporations Indirect carbon footprint	Utica First continues to factor the carbon footprint of its selected partners, product/office supplies vendors, its business travel, employee commuting, waste disposal, and investment portfolio holdings into its strategic decision-making process. The corporation has recently made major investments into becoming as paper free as possible by offering and pushing policyholders to select a paper free delivery method for all corporate documentation. The corporation has also been paperless internally for more than a decade. We have also heavily reduced corporate travel and implemented remote work opportunities for all applicable staff and approximately half the staff who used to commute to and from the office daily no longer do so as they work from home.