2023 CLIMATE RISK DISCLOSURE SURVEY

GOVERNANCE

Overview and Narrative

Indiana Farmers Indemnity Insurance Company ("Company") is a regional stock insurance company domiciled in the state of Indiana. One hundred present of the Company's stock is owned by Indiana Farmers Mutual Insurance Company. The Company writes business in Indiana, Illinois and Ohio.

Due to the geographic area in which the Company writes business, the Company does not have any appreciable climate-related exposures to hurricanes, wildfires or earthquakes. The Company's primary climate risks are changing severity and frequency of convective storms and other non-hurricane weather-related storm activity (i.e. polar vortex, derecho, etc.).

The Company's shares the same Board of Directors and therefore, the Company's response to this Climate Risk Disclosure Survey is reported at the group level.

The Company does not currently have any publicly stated goals on climate-related risks and opportunities. The Board of Directors receives quarterly reports on the Company's financial performance including the effect of any weather-related catastrophe events and losses.

The Capital and Finance Committee of the Board of Directors oversees, monitors and provides guidance as to the Company's various investments. The Company utilizes a third-party investment advisor that provides insight and advice as to investment performance and opportunities. Climate-related risks are contemplated as a part of the review and evaluation of current and potential investments to the extent that any climate-related correlation or risk is identified.

At a Senior Management level, the Company evaluates and controls its climate-related risk(s) through its reinsurance program and treaties. The Company has established a Reinsurance Committee that includes representatives from the risk, finance, underwriting and legal business units. The Company has also engaged the services of a reinsurance broker with global resources to provide data, insight, analysis and guidance related to climate-related risks. The reinsurance program and treaties consider the Company's experience and exposure to any climate-related risks that are identified. The Board of Directors receives an annual report and review of the Company's reinsurance program.

Strategy

Overview and Narrative

Indiana Farmers Indemnity Insurance Company ("Company") faces both climate related risks and opportunities. The primary risks are the possibility of increasing severity or frequency of severe convective storms. These downside financial risks are mitigated through the Company's reinsurance program and careful management of the risk profiles of the Company's policyholders.

As climate change risks evolve, policyholders are faced with new and ever-changing challenges. By engaging directly with agency partners and policyholders alike the Company can identify opportunities to provide new services or updated products to assist policyholders in dealing with their challenges.

The Company has established a reinsurance committee that works to quantify and purchase protection against climate related risks. In addition, the Company has established an Agency Advisory Council. This council provides a venue where the Company can engage directly with its agency personnel to discuss and act upon threats and opportunities related to climate risks.

The Company offers insurance products that cover a wide range of "green" property such as EVs, solar panels, and methane digestors. The company also offers endorsements that will provide additional funds for replacing damaged property with "green" alternatives.

The Company has made several investments in support of the transition to a low carbon economy. This is evidenced by the Company's upgrade of the IT infrastructure which allowed for a pre-pandemic implementation of a work from home plan that reduced miles driven by employees, a retrofit of the building to replace all lighting with low energy LED fixtures, a total replacement of HVAC systems with high efficiency systems, and the purchase of imaging software that facilitated a move to a nearly paperless work environment.

Risk Management

Overview and Narrative

The Company's primary climate risks are changing severity and frequency of convective storms and other non-hurricane weather-related storm activity (i.e. polar vortex, derecho, etc.). On an annual basis the company utilizes various computer models and simulations to measure the potential impact of storm activity. The models provide a measure of both the expected annual loss associated with storm activity as well as values of loss related to events with magnitudes such that expected return periods range from 1 year to 10,000 years. This dual perspective is used to inform decision making related to the Company's reinsurance structure so as to provide security both in the immediate future as well as years to come.

This modeling is also utilized more broadly to guide strategic initiatives. On an annual basis the Company reviews plans and targets related to growth strategies and business mix. Through monitoring and planning to achieve geographic diversity and adjustments to the mix of business the Company can control its exposure to climate related risks.

The Company assists policyholders in transitioning to more climate friendly products and processes through endorsements which provide financial assistance in covering the cost of "green" products and upgrades.

Climate-related risks are addressed under the umbrella of the company's general enterprise-risk management process. The Company's primary climate risks are changing severity and frequency of severe convective storms and other non-hurricane weather-related storm activity (i.e. polar vortex, derecho, etc.). These events are assessed through computer modeling services and simulations.

The Company utilizes a multifaceted reinsurance structure that protects the company from changes in climate-related losses in terms of both frequency and severity of events.

The Company's strategic plans include efforts to diversify its underwriting portfolio geographically so as to avoid concentration risk as well as efforts to diversify across lines of business specifically those classes of risk that have limited or no susceptibility to climate-related risks.

The Company provides coverage offerings that can protect the policyholders from current risks as well as products that provide incentives or assistance in upgrading properties thus providing longer term benefits. Among these products are endorsements which provide financial incentives to install products or use practices that are accredited by organizations like the Leadership in Energy and Environmental Design (LEED) program of the U.S. Green Building Council or the ENERGY STAR program administered by the U. S. Environmental Protection Agency and the U. S. Department of Energy.

The Company invests only in companies that are A rated or better indicating investment in companies that have strong financial condition and risk control programs.

The Company annually tests specific climate related loss scenarios against its risk portfolio. As an example, the company measures the impact of a category 5 tornado striking the company's most heavily concentrated area of risks.

Metrics

Overview and Narrative

Indiana Farmers Indemnity Insurance Company ("Company") has established Enterprise Risk Metrics that are used to manage climate related risks. The Company uses catastrophe modeling to measure these risks. Based on the geographic location of the Company's writings the primary exposure to these risks is severe convective storms and related events (Tornado, Hail, Derecho, etc.).

The Company uses two industry leading models to measure its climate related risks. The company has established climate related risk metrics. The Company's metrics include annual expected loss, expected net loss to a single event, expected net loss to multiple events in one year, and resiliency to single extreme events.

The Company designs its reinsurance program and manages its risk profile so as to limit the expected net loss to a single event to 7% of the Company's surplus, aggregation exposure to 20% of the Company's surplus, and extreme event protection to a one in 250-400 year return period.

The Company has established targets for climate-related performance. The performance against targets is reported to the management team and board of directors on a quarterly basis.