Union Mutual Fire Insurance Company
Responses to NAIC CLIMATE RISK DISCLOSURE SURVEY

Submitted July 2024

GOVERNANCE QUESTIONS

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.

GOVERNANCE RESPONSE:

Climate risks are overseen by the Enterprise Risk Management ("ERM") Committee of the Board of Directors (BOD). The entire BOD (including the ERM Committee) receives regular training/education from NAMIC and from our reinsurers regarding climate risks. Within our ERM program and daily insurance operations we monitor loss experience both weather-related and non-weather related and make prudent strategy decisions based on this experience. One of the primary financial protections is our reinsurance program which considers past and potential future weather-related events when designing the layers of our reinsurance structure.

Senior Management monitors emerging risk through research, publications, attendance at industry events and webinars, and communications with other knowledgeable industry sources such as reinsurers on weather-related events. Our ERM program is shared with the BOD. Financial results and operations are reviewed by the BOD multiple times a year.

STRATEGY QUESTIONS

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. *

• 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 term, 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:

One of our primary weather-related risks is hurricanes. The geographic areas affected are the New England and New York coastlines and inland depending on the storm track. The biggest exposure to hurricane risk is property, specifically dwellings and buildings along the coast. We utilize proprietary Hurricane Precision Rating (HPR) and Modeled Catastrophe Premium (MCP) that allows us to provide a market for risks in the catastrophe-prone areas by ensuring adequate premium is charged for those risks with the highest reinsurance load. When considering geographic or line of business expansion, we carefully consider how the proposed expansion will affect the spread of catastrophe risk. We do this to mitigate on-going reinsurance costs and associated policy holder premiums.

While there is no formalized plan in place, the companies have and will continue to seek and implement ways to reduce our energy usage and carbon footprint i.e., updated lighting and HVAC within our facility. Our facility now utilizes LED lighting technology in 100% of applicable areas. Within the IT area we have implemented virtual servers and desktop environments substantially reducing the number of servers on-site along with the associated power and cooling requirements. In late 2016, we moved a substantial portion of our IT infrastructure to the Cloud, taking advantage of centralized economies of scale in power and cooling while offloading those from our local facility. The move to cloud-based economies of scale continues today.

We attempt to educate insureds and agents via loss control materials, website and social media postings. We believe there are many losses that can be reduced in severity and possibly prevented through prudent loss control education. In 2023, we partnered with an automated water-shut off company to offer their product to our insureds at a reduced price.

RISK MANAGEMENT QUESTIONS

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.

RISK MANAGEMENT RESPONSE

Within our ERM program and daily insurance operations we monitor loss experience both weather-related and non-weather-related and make prudent strategic decisions based on this experience. One of the primary financial protections is our reinsurance program which considers past and potential future weather-related events when designing our reinsurance program.

Senior Management monitors emerging risk through research, publications, attendance at industry events and webinars, and communications with other knowledgeable industry sources such as reinsurers on weather related risks. Our ERM program is shared quarterly with our BOD. Financial results and operations are reviewed with the Board of Directors multiple times annually.

The Company's ERM matrix is entirely re-evaluated four times per year.

METRICS AND TARGETS QUESTIONS

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.

METRICS AND TARGETS RESPONSES

The companies account for weather-related events in our risk management program through the monitoring of loss experience related to weather events. The results of this monitoring are translated into experienced based rate actions along with product review activities in addition to prudent reinsurance program structure.

Within our corporate ERM program and daily insurance operations we monitor loss experience both weather-related and non-weather related and make prudent strategic decisions based on this experience. One of the primary financial protections is our reinsurance program which considers past and potential future weather-related events when crafting our reinsurance program structure. The companies purchase reinsurance in excess of 1 in 200 years probably maximum loss.