New York Central Mutual Fire Insurance Company

2024 Climate Report

Contents

About NYCM Insurance

The NYCM Insurance Group (NYCM or Group) consists of two property & casualty insurance companies that operate under an interCompany reinsurance pooling agreement led by its parent Company, New York Central Mutual Fire Insurance Company (New York Central Mutual), and its wholly owned stock subsidiary, A. Central Insurance Company (A. Central or ACIC), established through its downstream holding Company, NYCM Holdings, Inc. (NYCM Holdings).

Ranked among the largest homeowner and private passenger automobile writers in the state of New York, NYCM maintains a long-standing history, dating back to 1899, providing preferred and standard personal lines insurance, including homeowners, private passenger auto, umbrella, and commercial coverages exclusively in New York State.

CLIMATE RISK MANAGEMENT

NYCM recognizes that climate change poses long-term, wide-ranging, and material risks to the financial sector, especially for the insurance industry. NYCM also fully understands transition risks may arise from society's progression towards a low-carbon economy or heavy reliance upon (participation in) utility investments (putting all eggs in one basket).[1] In addition to climate change, the Company also considers business activities which have actual or potential negative impact on air, land, water, ecosystems, and human health factors within this risk group.

> ***"Climate change poses significant risk to our industry as it increases the probability of mutual inclusivity and therefore the potential of greater catastrophic loss."***
>
> ***-Michael A. Perrino***
>
> ***Treasurer, CFO,CRO***

Since climate change is emerging as a risk management concern, NYCM's Risk Management team and the Enterprise Risk Management (ERM) Division monitors current events as well as the Department of Financial Services expectations regarding climate change. Climate change is considered in the development and review of NYCM's:

- Governance framework
- Risk management processes
- Business strategies

The ERM Division annually reviews Climate Change (risk) factors within the *LogicManager* Governance. Risk and Compliance (GRC) software platform methodology. Factors reviewed include the following:

- Reputational and brand risk
- Operational risk
- Investment risk
- Liquidity risk
- Underwriting risk
- Strategic and emerging risk

[1] Insurance Circular Letter No. 15 (2020). Climate Change and Financial Risks. New York State Department of Financial Services. September 22, 2020.

Governance

Climate Governance at NYCM

The Company's Chairman of the Board of Directors oversees management of our environmental, social and governance (ESG) strategy and progress, including climate-related risks and opportunities. To ensure sustainable operations, NYCM continues to monitor and grow its understanding of economic impact and sustainability challenges due to climate change. This is monitored by the Company's Enterprise Risk Management (ERM) Committee, chaired by the Chief Risk Officer (CRO), who reports to the Board of Directors. Moreover, NYCM has designated a team to coordinate climate change risk through the Company's ERM Finance and Catastrophe Sub-Committee. This Sub-Committee has been tasked with monitoring the risks to its operations related to climate change.

Board of Directors

The Board of Directors is ultimately responsible for corporate governance, providing oversight and reviewing executive management's implementation of the Company's corporate governance activities. The Board of Directors is also responsible for:

- Approving the annual Corporate Governance Disclosure Report, ERM Annual Report, Own Risk Solvency Assessment (ORSA) Summary Report, Climate Change Report, Enterprise Business Continuity Plan, and the Cybersecurity Report
- Appointing corporate officers
- Approving Corporate Governance Guidelines
- Other duties as necessary

Table 1 below reflects the responsibilities of the Audit and Executive Committees of the Board of Directors:

Audit Committee	Executive Committee
Review of filings and earnings releases	Forming and sunsetting committees
Oversight of financial reporting and related internal controls	Overseeing policies and policy development
Regulatory risk oversight	Ensuring the Board is establishing and maintaining good governance practices
Oversight of internal audit, ethics and compliance	

Table 1. Audit and Executive Committee Responsibilities.

Chief Executive Officer (CEO)

The CEO is responsible for oversight of risk management activities throughout the Company and for developing the Company's risk culture. The CEO is responsible for:

- Appointing ERM Committee and Sub-Committee members jointly with the Chief Risk Officer
- Providing leadership and direction to senior management in concert with the Strategic Planning Committee

Figure 1 below depicts the Company's Risk Governance Structure.

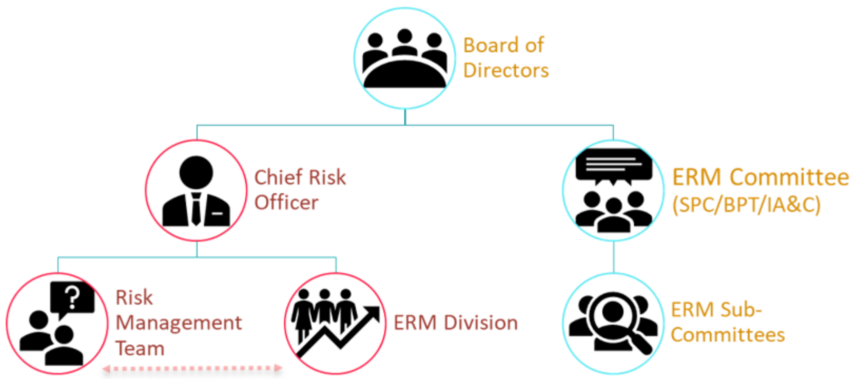

Figure 1. Risk Governance Structure.

Chief Risk Officer (CRO)

In concert with the CEO, the CRO is responsible for oversight of risk management activities throughout the Company and for developing the Company's risk culture. Specifically, the CRO is responsible for:

- Driving the Company's culture of risk
- Developing an ERM strategy that is aligned with corporate strategy
- Working with the Board and CEO to formulate the Company's risk appetite and tolerances and monitoring adherence to these standards
- Identifying significant risks to the Company and ensuring effective programs are in place to manage them
- Assigning tasks and monitoring risk projects/activities led by the Senior Vice President, Risk Management Team

Strategic Planning Committee (SPC)

- Collaborates up and down the organization to match business strategy (strategy owner) with risk management
- Collaborates on appointment of the ERM Committee and Subcommittee membership

SVP, Risk Management Team, and Division Manager, Enterprise Risk Management

In concert with the CRO, the SVP, Risk Management Team, and the Division Manager, ERM, develop various risk-related initiatives/programs and are responsible for the following:

- Drafting the ORSA Report and the Annual ERM Report
- Creating and maintaining the Company's Risk Register and Risk Library
- Developing standards, practices and procedures for effective risk management and ensure they are embedded into business processes
- Developing, updating, and maintaining the Risk Maturity Model
- Developing risk questionnaires to obtain risk-related information from all levels of the organization
- Collaborating with the Business Unit Manager, Business Continuity and Disaster Recovery, to complete or refresh the annual Business Impact Analysis

- Creating a ‘continuous’ business continuity and disaster recovery mindset prevalent throughout the enterprise
- Completing financial stress tests
- Drafting, modifying, and maintaining the Company’s Risk Appetite and Risk Tolerance Statements
- Developing risk-related education and awareness programs to ensure risk identification is pervasive throughout the organization
- Maintaining certification and skills in risk management through participation in professional risk organizations
- Developing and maintaining Economic Capital Model and benchmarking
- Preparing for and documenting ERM Committee and Subcommittee meetings and associated action items
- Facilitating ERM Committee and Subcommittee Chair and Vice Chair requests
- Providing leadership, guidance, and communicating expectations to the ERM Committee
- Chairing meetings of the ERM Committee and directing activities of the Committee and Subcommittees
- Helping the Company to identify emerging risks and risk opportunities
- Leading and administering LogicManager as the Company’s Governance, Risk and Compliance (GRC) “force multiplier” software platform
- Providing an ERM report and Risk policy to the Board

ERM Committee

Select leaders are nominated to form the ERM Committee and are tasked to address risks and opportunities related to the Company’s most significant risk events. The ERM Committee meets semi-annually for the following purposes:

- Reviewing and discussing Corporate strategic goals and objectives
- Reviewing and discussing Governance strategy
- Reviewing and analyzing committee, Sub-Committee, and working group reports
- Identifying and documenting risk management of Risk Appetite and Tolerance
- Risk Acceptance and Risk Mitigation
- Business Continuity Management
- Risk Register Review & Vetting

ERM Sub-Committees

Each ERM Sub-Committee has an appointed Chair and Vice Chair responsible for working with the ERM Division to set the agenda for meetings, sponsor the communication of various topics and guide conversation. All Division Managers are assigned to a Sub-Committee role and are periodically rotated. In concert with the CRO, SPC, SVP, Risk Management Team, and the Division Manager, ERM, the Chairs of ERM Sub-Committees and all Division Managers are responsible for:

- Identifying risks and opportunities related to risk events and developing and implementing risk management practices specific to their divisions
- Ensuring risk management practices are aligned with the corporate strategy
- Considering risk interdependencies and working with their divisions to ensure risks are addressed
- Alerting executive management to emerging risks and opportunities
- Completing the review, prioritization, scoring and input of identified risks via *LogicManager*

Risk Management Advisory Committee

The Risk Management Advisory Committee is chartered to focus on operational business risk and reports to the ERM Committee in support of the Category and Functional risk owners. Various Risk Assessment working groups may be chartered as needed under the purview of the Advisory Committee. The Risk Advisory is chartered to review lower-level risks to the organization. The Risk Management Advisory Committee activities are facilitated by the ERM Division Manager. Figure 2 depicts the structure of the ERM committees.

Figure 2. Risk Management Pyramid.

Internal Audit and Compliance

- Control and assurance of ERM activities
- Evaluate the timeliest and most significant risks
- Coordinate external audit activities

Employees

- Applying risk management practices in their daily work
- Alerting their managers to emerging risks and opportunities

Environmental, Social and Governance

As Environmental, Social and Governance topics continues to emerge, more policyholders and business partners are looking for a company who possesses similar values. At NYCM an Environmental, Social, and Governance (ESG) framework is utilized to evaluate corporate behavior and its effect on future financial performance of the company. ESG includes sustainable, ethical, and corporate governance issues such as managing the company's carbon footprint and making sure there are systems in place to ensure accountability for results. ERM continues to educate and support our divisions as these topics arise to ensure we are making considerate and prudent strategic business decisions. *Figure 3* depicts the basic attributes of ESG.

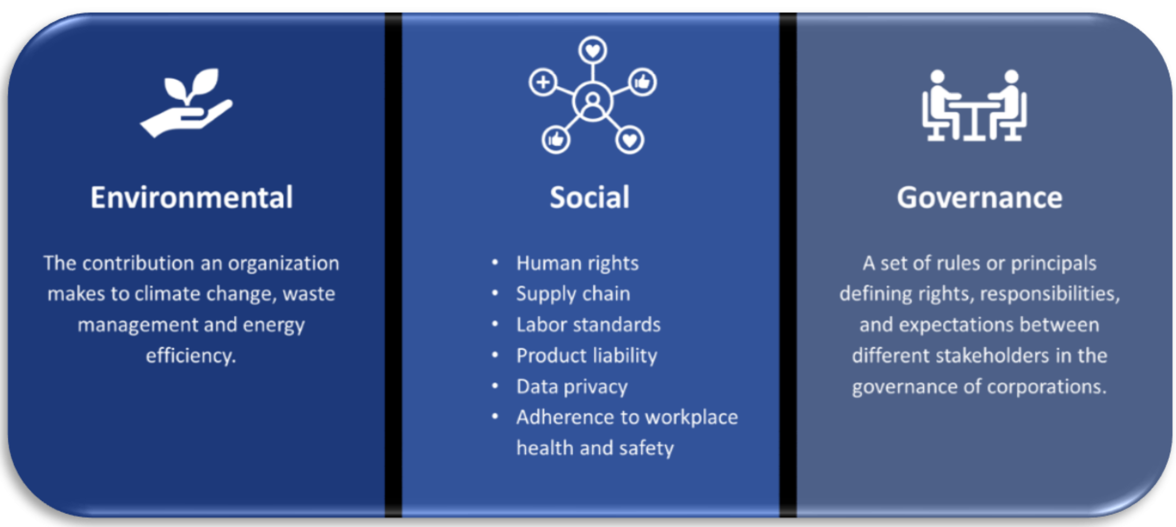

Figure 2. Attributes of ESG.

Strategy

Climate Philosophy
The Company believes climate change has a significant impact on the insurance industry. We believe it is prudent to be aware and considerate of how our actions may affect the climate. NYCM maintains a conservative approach that balances financial stability, reasonable effectiveness, and being climate considerate. The Company is mindful in its effort to identify and address climate friendly opportunities as they arise.

Controlling our Risk Profile
We have now seen catastrophic events begin to have a greater effect on upstate regions. For several years, we have actively examined our geographic spread of property exposures, through RMS and AIR modeling, to ensure we manage concentration of risk related to climate change. Now that we have been assessing our level of exposure for nearly ten years, especially as it pertains to geographical spread, we have had the opportunity to put into action several initiatives to manage climate change-oriented exposure.

The Company introduced a methodology of risk evaluation that reduces and avoids significant exposure to shoreline risk. NYCM keeps a measured approach to managing current growth exposure levels. Additionally, the Company maintains a conservative catastrophe reinsurance program. These considerations affect all lines of business including homeowner, dwelling fire, business owners, commercial and automobile.
The Company's geographical focus spreads across New York State. Historically, the Company maintains a higher presence in the Western part of the State while effectively managing exposure along the shorelines of Long Island. In consideration of exposure beyond hurricanes, rise in sea level and flooding, we have made a conscious effort to grow in areas of the state we have had a limited presence in.

Over the last ten years we have improved the geographical representation of risk exposure via growth across the remainder of the state. Additionally, we have also ramped up our focus on exposure to flood, especially relative to homeowner and automobile lines. We have also partnered with a company that specializes in flood to assist us with promoting the coverage. Consideration here extends beyond coastal regions to rivers and streams.

We have introduced several risk mitigation measures and controls to manage our exposures. These include, but are not limited to, improved risk-based pricing, limiting new business submissions, increased utilization of deductibles, enhancing educational opportunities, the conservative purchase of reinsurance, and moving to three-year reinsurance contracts.

Investment Strategy
The Company also considers the impact of climate change on its investment portfolio. Since our investment portfolio is composed substantially of high-quality investment grade fixed-income securities, the investment risks presented by potential global climate change are considered negligible. For more than 20 years, the Company has screened all municipal bond purchases for coastal exposure. The Company's investment strategy emphasizes proper diversification by issuer and instrument, which effectively reduces the risk within the portfolio from any potential climate-related event that could erode the asset values, such as a natural catastrophe striking a particular geographic location. Assessments are made and investment holdings may be adjusted, accordingly. Regarding all fossil fuel related corporate bond purchases, we have limited our appetite and reduced duration to 5 years or less to avoid longer-term exposure to these investment types. We have engaged with financial data provider Bloomberg L.P. to build on our capacity to understand ESG-related performance. Presently, we are reviewing several potential ESG scoring providers and working with Bloomberg to learn which offers the most credible and mature product. The Company is working with Alliance Bernstein (AB) and The Vanguard Group, to research potential ESG focused investment funds.

Assessing Risks in a Warming Scenario
The Company researched various hazards utilizing Hazard assessments from multiple counties in New York State. The Company completed a forward-looking assessment of climate-related hazards over the next 10 years. In this assessment, hazard risks were scored as they were presently but also assessing the risks as they may manifest. The Company recognizes that that these risks can evolve in a warming scenario and currently evaluates and reviews these risks on and annual basis to assess and monitor the velocity of change. *Table 2* below depicts risks evaluated in the All-Hazard Assessment

All Hazard Risks Evaluated in a Warming Scenario		
Drought	Wildfire	Utility Failure
Epidemic	Fuel Shortage	Severe Winter Storm
Extreme Temperatures	Food Insecurity	Flood
Fire	Infestation	Severe Storm

Table 2. All Hazard Risks Evaluated.

Potential Opportunities and Risks

NYCM Recognizes that climate change provides both risks and opportunities. *Figure 4* depicts opportunistic examples that the company may consider researching and exploring further. In the pursuit of potential opportunities that balances financial stability, reasonable effectiveness, and being climate considerate.

Figure 4. Climate Opportunities to Explore.

EV Charging

Over the past year, NYCM has been researching, reviewing, and discussing the installation of EV charging stations at our main office location in Edmeston, New York.

We are pleased to announce that we have signed a contract for the installation of 10 private level 2 EV charging stations as an additional benefit to our employees.

NYCM anticipates the EV charging stations will be installed by Summer 2025.

Risk Management

Risk Management Background

The Board of Directors and Management of NYCM have determined that the various risks and opportunities which could affect the parent Company and all subsidiaries shall be identified, evaluated, managed, monitored, and communicated to all parties involved. While NYCM Insurance has practiced aspects of ERM throughout its 125-year history, it undertook a more formal and documented process in the fall of 2007. Over the past ten years, risk Sub-Committees were formed to further mature program emphasis and process. In early 2018, the desire for an enhanced ERM Program compelled senior management to establish the formal ERM Division to better focus on corporate risk, strategic risk, emerging risk, and other related opportunities.

The Board of Directors has ultimate responsibility for risk management and provides oversight and review of executive managements implementation of the risk program. The SPC is responsible for oversight of risk management activities throughout the Company and for influencing the Company's risk culture. They appoint an ERM Committee and associated Sub-Committees to address risk and opportunities related to the Company's most significant risk events.

The positioning of the Business Continuity and Disaster Recovery Business Unit within the ERM Division provides a natural synergy as the disciplines leverage each other when identifying risk and determining risk response (deciding whether to avoid, accept, reduce, or share risk).

Risk Management Culture

For 125 years, NYCM Insurance has adopted a conservative approach to its business operations. The risk management culture of the organization continues to become more widespread, with great strides made over the past ten years. Moreover, the culture of risk management continues to evolve with the objectives of prioritizing risk and adding value to the Company. With the establishment of a formal ERM division along with the appointment of a dedicated and professional risk staff in 2018, the Board of Directors and Company executives decided to rigorously promote and further the risk culture of the enterprise. Continual review of the COSO-integrated ERM Framework and the Risk and Insurance Management Society's Risk Maturity Model helps to guide the Company's risk maturity.

Risk Management at NYCM

Our ERM Committee, led by our Chief Risk Officer, meets regularly to consider potential risks, including those posed by climate change. As previously noted, an ERM Sub-Committee concerned with Finance & Catastrophes is tasked to consider the impact of climate change in their risk assessments. The Company's Risk Management Team (including Committees) regularly monitor industry news and research relative to climate and the impact on the future of our business. As research is conducted, various climate risks are discussed, scored, and financial impacts are determined. Risks are reviewed and scored continuously (as needed) throughout the year. Mitigation measures are determined and incorporated into a final risk score.

Regarding financial implications, much of our effort is centered on regularly updating our catastrophe modeling to incorporate recent experience and the incremental value events throughout the world are having on the development of these models. This has resulted in strategic planning that places more of a significant emphasis on exposure regions and how best to mitigate risk. In doing so, we have continued to embrace a conservative approach to growth in exposed regions of the state. In recognition of the increasing concern with climate change, we continue to invest in the purchase of catastrophe reinsurance to buttress our surplus. Each year, we consider the level of exposure climate change may have on our longer-term financial leverage, level of liquidity and implications relative to remaining a going concern. An increase in the frequency of catastrophe losses would have a negative compounded impact on reinsurance costs and reinstatement provisions which has driven the capacity for catastrophe coverage to new highs driving down pricing and yield. Our response has been to continue hedging our position via longer-term contracts to cover potential volatility going forward.

In consideration of climate change and how it can present a diverse set of exposure challenges, the Company takes proactive measures to gauge the level of impact new weather-related threats pose. We have not yet built in any degree of climate change trending to anticipate the development of this impact over time. To that end, we have a dedicated ERM Division endeavoring to monitor and understand risk trends, determine our approach and mitigation methods, and ensure a long-term conservative approach via the utilization of catastrophic reinsurance.

Own Risk Solvency Assessment

Climate risk is formally documented within our annual Own Risk Solvency Assessment (ORSA) Summary Report and our annual ERM Report to the Board of Directors and shared with external auditors. Previously, the Company reviewed and prioritized countywide hazards resulting from severe weather and spanning historical data of the past 20 years. Importantly, the teams have analyzed projected trends of severe weather (possibly due to climate change) looking forward to both identify critical risk and ways to mitigate those risks. A meaningful amount of time and effort is spent evaluating catastrophic events, including atypical scenarios for the state of New York. The Company uses extensive modeling to identify the potential impact of hurricane winds, storm surge, straight-line winds, winter storms, tornadoes, hail, and the anticipated gradual increase in flooding in all regions of the state.

"Ironically, it can be challenging to identify the magnitude of a risk when it develops around us over an extended period of time. Climate change risk requires a dynamic long-term strategy to manage its impact on our business and community."

-Michael A. Perrino
Treasurer, CFO,CRO

LogicManager Risk and Governance Software Platform

NYCM utilizes the *LogicManager* GRC software platform (to identify, assess and manage risk identification and prioritization. *LogicManager* assists the Company by providing a standardized methodology to identify, assess, prioritize, and report risk impact, likelihood, and mitigation. The *LogicManager* GRC platform is comprised of nine major modules including ERM, Incident Management, IT Governance & Security, Compliance Management, Vendor Management, Financial Reporting, Audit Management, Business Continuity & DR, and Policy Management.

Using *LogicManager* as a "force multiplier" involves incrementally building out an enterprise view of the risks of the organization (risk register / library) which allows the Company to best utilize its resources on prioritized objectives. This type of software platform brings efficiencies and maturity to the organization through the reduction in data entry and comprehensive views of the business risks leading to more robust conversations on the progress in achieving the strategic direction of the organization.

Setting Appropriate Time Horizons

A strategic response to climate change requires a longer-term view than the typical business planning horizon of three to five years. When evaluating risks and the time horizon that climate risk could materialize, our Company adopted the standard short (1-5 Years), medium (5-10 Years) and long (10-30 Years) term time horizons.

Encouraging Our Policyholders

We encourage our policyholders, through information provided in mailings and on our website, to take steps to mitigate risks due to any type of severe weather activity, but not specifically for those residences protected by storm shutters and Hurricane Resistant Laminated Glass. The Company is actively collaborating with our agents to promote supplementary flood insurance education, as we know that less than two percent of homeowners are covered for flood loss. NYCM has made available a multitude of resources to assist in this effort. We will continue to educate ourselves and study appropriate resources pertaining to climate change, as they become available. The data we acquire may be made available to our policyholders, as well as the general public.

Risk Assessments

At its core, the goal of risk management is to make better decisions to add business value. Better decision making requires transparency into all risk information gathered at an organizational level. It also requires the ability to prioritize information by assessing the risks identified as they relate to organizational goals, resources, and controls. Monitoring is done by conducting a risk assessment with key stakeholders that understand the impact of potential business decisions. In the workshop, participants identify any risks associated with the initiative that are related to people, systems, processes, relationships, and external. Risks are then scored utilizing NYCM's standard risk-scoring methodology as the participants analyze the potential impact and likelihood of the risks, as well as how well the organization is equipped to mitigate the risk currently. The risks and scores brought forth in the workshop are entered into LogicManager and a plan for risk management is developed thereof. *Figure 5* below depicts the different mechanisms of climate impact, and the diverse types of financial impact that climate risks and opportunities provide.

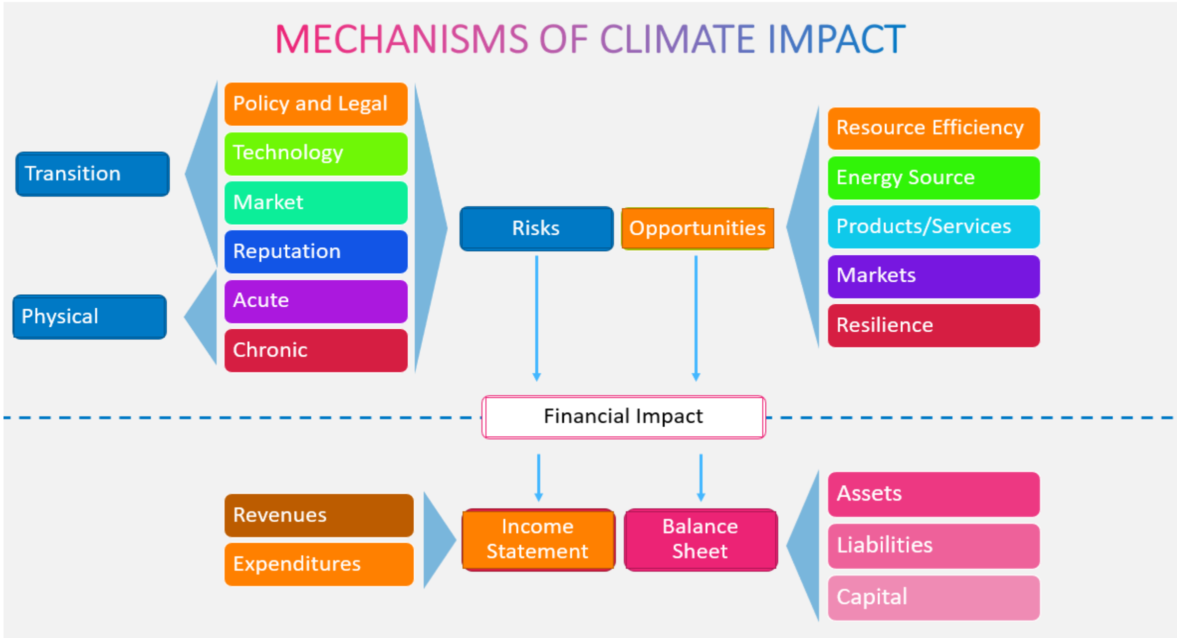

Figure 5. Mechanisms of Climate Impact.

Assessing the Risks

The Company has facilitated a climate risk assessment workshop to identify climate risks, discuss potential mitigations and scored climate risks.

The top risks identified in the workshop were:

- Design of Products or Services
- Economic, Market and Business Environment
- Hazards
- Internally Related Challenges
- Regulations and Guidelines
- Socio-political Environment
- Third Party Due Diligence
- Third Party Provider Delivery

Risk Limitation Strategy:

- Internal Climate risk assessment performed
- NYCM volunteered to participate in three National Association of Mutual Insurance Companies (NAMIC) and NYS DFS-sponsored panels with roles providing leadership on various aspects of climate change
- Periodic review of physical plant and facilities to determine if company can reduce carbon footprint
- Window replacement upgrades installed
- LED Lighting upgrades installed over the last five years
- Added natural light to the workplace thereby reducing the need for electrical lighting
- Installed foam insulation to all exterior walls as part of our renovation to reduce fossil fuel carbon footprint

As NYCM faces the challenges of emerging climate risks, it is prudent to have a dynamic strategy in place. The climate risk workshop was the first step to gaining insight from our internal subject matter experts and uncovering the concerns of the enterprise.

Metrics and Targets

Assessing Emissions and Targets

The Company is currently inventorying Scope 1 and Scope 2 assets through the utilization of the Environmental Protection Agency's (EPA) guidance on measuring Scope emissions. The Company is considering the measurement of Scope 3 emissions and the potential of utilizing third-party vendors to validate scope measurements. *Figure 6 below* graphically depicts Scope 1, Scope 2, and Scope 3 activities and different risk categories that could impact each of those scopes.

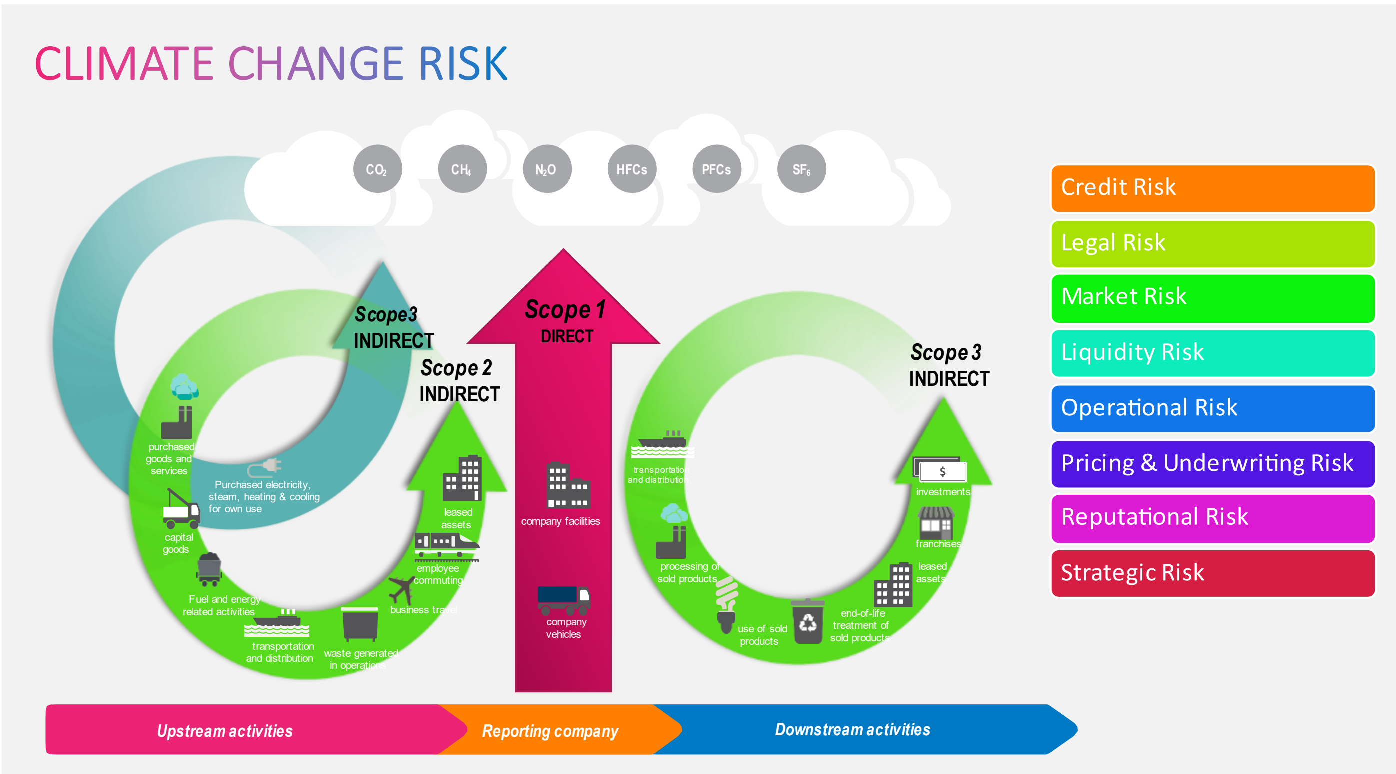

Figure 6. Climate Change Risk.

Gaining Efficiencies

The company has gained the following efficiencies in identifying and addressing climate friendly opportunities as they arise.

- Replacement of boilers that increased efficiency from 83% to 86%
- Reduction in energy due to a hybrid work model
  - Reduced fuel consumption and emissions by an estimated 40%
  - Reduced energy usage in offices
- Open cell insulation spray foam installation applied to industry standards
- Temperature automation through our upgraded Honeywell System
- Renovated Paint/Carpet that are low VOC
- All windows are tempered, double pane, argon filled windows
  - Adding natural light to the workplace reducing the need for electric lighting
- All sinks, toilets and showers are low flow efficient fixtures
- All light has been switched to LED
- IT Services maintains a hardware life cycle for all end users laptops and monitors to ensure energy efficient equipment is deployed
- In our data centers, the Company has completed its replacement of all spinning and solid-state drives with flash technology in our SAN environments

- We are currently migrating our corporate phone system from on-premises to cloud and eliminating IP phones from end users desks.
- The Company has completed a review of office printing and eliminated over 50% of the printers in our offices. Where applicable, new high efficiency energy star printers have replaced older less efficient models
- New server technology has been implemented to run our virtualization and micro services environments resulting in an estimated 30% decrease in energy consumption to run these environments

Additional Future Efficiencies to be Considered

- The Company is targeting a 50% reduction of new business print and mail over the next 3 to 5 years by maintaining a continuous effort to promote digital delivery of customer correspondence
- NYCM's technology team has started assessing the elimination of our DR Data Center and migration of workloads to private and public cloud infrastructure which will significantly reduce the carbon footprint of the Company
- The Company purchased a new office location that will be renovated utilizing similar methods used in the "Gaining Efficiencies" section

"We are very good at managing risks that affect our daily lives and well-being. Climate change presents a risk that can effectively change the way we live. As an industry, we have a responsibility to make a meaningful difference. It's what we do best!"

-Michael A. Perrino
Treasurer, CFO,CRO

NEW YORK CENTRAL MUTUAL FIRE INSURANCE GROUP

2024 Task Force on Climate-related Financial Disclosures (TCFD)

Climate Report