NAIC CLIMATE RISK DISCLOSURE SURVEY

Hastings Insurance Company

NAIC Number 14176

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Governance

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.*

- Hastings Insurance Company (Company) is a single entity stock insurer wholly owned by a Amcrest Mutual Holding Company and is not part of a group entity structure. All governance related to climate risk and the impact of weather on insurance operations is focused within the Company's board of directors and management.
- The Company has not issued publicly stated goals on climate-related risks and opportunities.
- The Company board of directors provides overall corporate oversight and strategic direction for the Company. In collaboration with executive management, the board of directors adopts annual operations plans and periodic strategic plans. The planning process evaluates risks and opportunities, including weather risk.
- The Company audit committee oversees the Company's enterprise risk program, which, among other key risks, evaluates "Unpredictable Weather" as a key risk.
- The board of directors regularly completes board education. Prior (and expected future) board education topics have included the impact of climate risk in property casualty insurance; reinsurance markets and placement influenced in part by local and global weather events; policy rating including weather related perils; and, operation of an internally developed geospatial tool that maps historic weather data obtained from National Oceanographic and Atmospheric Administration (NOAA) onto the Company's six state operating region, to analyze the impact of historic weather events, and the possible impact of future weather events, on in-

force and expected future property coverage.

- At the executive management level:
  - All executives meet periodically, at least monthly, to discuss business performance, attainment of business objectives, market conditions and risks, which include weather-related risk discussions.
  - The executive reinsurance committee engages reinsurance brokers, and direct reinsurance markets, on reinsurance needs, weather-related risks, and catastrophe modeling reports.
  - Members of the executive team serve as ERM key risk owners, including the Chief Claim Officer as the key risk owner for Unpredictable Weather.

Strategy

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 1-5years 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.

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

In the context of overall insurance operations, pricing and product design, the Company has taken steps that encourage policyholders to reduce losses caused by weather.

- The Company employs a fully staffed loss control department that regularly inspects exposures and makes safety and property improvement recommendations.
- The Company insures agricultural businesses that employ renewable energy production methods that may be less susceptible to adverse climate change-influenced events than traditional energy sources.

- In its businessowners segment, the Company offers an endorsement increasing property coverage valuation for green technology upgrades certified by Leadership in Energy and Environmental Design (LEED), ENERGYSTAR and Green Globes.

The Company regularly reviews atmospheric, environmental and weather trends and events with its reinsurance partners and reinsurance brokers. Those discussions include examination of weather catastrophe modeling data including AIR and RMS.

The Company is an active member of the National Association of Mutual Insurance Companies (NAMIC). NAMIC conducts various conferences and provides industry literature that addresses weather and climate trends.

The Company has been engaging in various best practices with the goal of reducing or mitigating emissions, and also reducing the use and waste of paper products, including:

- Extensive use of internal and external e-mail that has significantly replaced paper correspondence.
- Front-end imaging and workflow, and electronic document retention, in lieu of paper files.
- Regular staff participation in telephone, videoconferencing and webinars, in lieu of travel, reducing gasoline consumption associated with business travel.
- Facilities and fleet energy efficiency including:
    - -Installation of soft-start ignition to efficiently control HVAC systems.
    - -Home Office underground snowmelt system, reducing use of de-icing chemicals.
    - -In the Company's fleet of over 80 leased vehicles, regular vehicle rotation and selection of fuel efficient four-cylinder models.
    - -In 2020 the company replaced a diesel-powered generator that provides electrical power to the Company's entire home office in the event of a loss of power, with a higher-efficiency natural gas generator.
    - -In 2021 the Company completed a renovation of the home office, installing high-efficiency HVAC equipment, and replacing all remaining fluorescent lighting with high-efficiency LED lighting. The remodeling includes UV and ionic treatment of cooling and air-handling equipment that improves ambient air quality and sanitation in the home office.

Unpredictable Weather has been identified as a Key Risk in the Enterprise Risk Management process and as part of corporate strategic planning. If catastrophic weather events occur, and the Company incurs higher-than- expected frequency or severity of storms and weather-related claim losses, the elevated weather-related loss experience could have a significant impact on the Company's operating results and financial condition. Elevated weather-related losses may also have an adverse impact on the reinsurance market, and on the availability and pricing of reinsurance coverage for weather-related losses.
The Company assesses this risk every year as part of the reinsurance program renewal process, corporate planning and ERM.

The Company continues to assess how climate risk may shift customer demands for products. Climate change could indirectly and over a long time period shift customer demand for products in the following ways:

- Climate change could cause higher than average net migration into the Company's Midwestern region as coastal and southern states experience adverse effects.
- If climate risk produces materially varying average regional temperatures, customers may purchase new forms of heating or cooling equipment, or agricultural equipment including irrigation and freeze protection, which require appropriate insurance coverages and present unique insurance risks.

Risk Management

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.

Climate change appears to have impact on the frequency and severity of weather events.

- The Company's farmowners, homeowners and commercial property lines of business are disproportionately susceptible to potential climate risk.
- The Company regularly examines and manages the geographic spread of property exposures relative to overall risk of weather-related loss, which over long time periods is impacted by global and regional climate risk.

In the context of overall insurance operations, pricing and product design, the Company has taken steps that support and complement policyholder efforts to reduce weather-related losses.

- The Company employs a fully staffed loss control department that regularly inspects exposures and makes safety and property improvement recommendations.
- The Company insures agricultural businesses that employ renewable energy production methods that may be less susceptible to climate risk, and mitigate carbon emissions, compared to traditional energy sources.
- In its businessowners segment, the Company offers an endorsement increasing property coverage valuation for green technology upgrades certified by Leadership in Energy and Environmental Design (LEED), ENERGYSTAR and Green Globes.

The Company's investment managers take the issue of climate risk into consideration in the same manner as other potential drivers of risk and return in the investment portfolio. The Company maintains an investment portfolio broadly diversified with respect to investment sector, public versus private holdings, and geographic location. Diversification mitigates exposure to any one investment risk, including climate risk.

- The Company has chosen to avoid, or set limits on, investing in certain utilities and municipal bonds due to potential exposures from hurricanes and wildfires.
- The Company considers that the physical impact of climate risk (water scarcity, extreme events, weather variability) could adversely impact all investment sectors, and would likely have elevate adverse impact on municipal bond issuers.
- The Company does not have a system in place to specifically manage correlated climate risks between its underwriting and investment operations.
- The Company has not adopted a formal Environmental, Social and Corporate Governance (ESG) investment framework.

The Company addresses climate risk in corporate planning, risk evaluation in the normal course of business, and in the Enterprise Risk Management (ERM) program. In the ERM framework, "Unpredictable Weather" is one of the Key Risks identified by management. The Chief Claim Officer is designated as the owner of this Key Risk. This topic is reported to and considered by the board of directors.

The Company considers geographic risk which by definition includes weather-related risk. Examples of weather-related risk considerations:

- In insurance operations, the Company maintains geographic distribution of exposures in its Midwest operating region to mitigate the cumulative frequency and severity of weather events.
- In investment operations, the Company maintains an investment portfolio broadly diversified with respect to investment sector, public versus private holdings, and geographic location.
- The Company regularly discusses atmospheric, environmental and weather trends and events with its reinsurance partners and reinsurance brokers. Those discussions include examination of weather catastrophe modeling data including AIR and RMS.

<u>Metrics and Targets</u>

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.

The Company regularly discusses atmospheric, environmental and weather trends and events with its reinsurance partners and reinsurance brokers. Those discussions include examination of weather catastrophe modeling data including AIR and RMS.

In the Company's Enterprise Risk Management program, key risks including unpredictable weather are quantified according to Value at Risk return periods of 1 in 100 years, and 1 in 500 years.

The Company uses an internally developed geospatial tool that maps historic weather data obtained from National Oceanographic and Atmospheric Administration (NOAA) onto the Company's six state operating region, to analyze the impact of historic weather events, and the possible impact of future weather events, on in-force and expected future property coverage.

The catastrophe modeling and geospatial reports use the total insured value metric to assess potential weather-related loss impact at the account level, local regional level and state level.