NAIC Climate Risk Survey - 2023
Group Number: 3500
Group Name: NI Holdings, Inc.

Company Name	NAIC Number	States
American West Insurance Company	44270	Primarily South Dakota also Minnesota, North Dakota
Battle Creek Insurance Company	16373	Nebraska
Direct Auto Insurance Company	12721	Illinois
Nodak Insurance Company	34592	North Dakota also Minnesota
Primero Insurance Company	11855	Arizona, Nevada, North Dakota, South Dakota
Westminster American Insurance Company	16098	Delaware, District of Columbia, Georgia, Kentucky, Maryland, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia

Governance

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 the 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.*

Response for Governance

The Board of Directors, directly and through its committees as described in their charters, oversees the Company's risk management policies and practices, including the Company's risk appetite, and regularly discusses risk-related issues, including climate-related risk. The Audit Committee has oversight responsibility regarding the Company's policies and processes with respect to risk assessment and risk management, including any significant non-financial risk exposures. The Audit Committee coordinates with the Enterprise Risk Management ("ERM") Committee with respect to oversight of risk management and enterprise risk management activities.

The ERM Committee, led by the Chief Executive Officer, is responsible for the alignment of operational risk management strategies as the coordination point for enterprise-level direction-setting with regard to risk management issues. The ERM Committee seeks to understand opportunities to use the ERM process proactively as a method to reduce uncertainty and support achievement of the Company's goals and objectives, and with input from the Board of Directors, the ERM Committee establishes risk tolerance in terms of the "risk-reward" balance. Climate-related risks are part of the Environmental, Social, and Governance ("ESG") risk category.

As a property and casualty insurance company, climate-related risks and opportunities have a more direct impact on the Company's insurance risk. Management continually assesses and manages the performance of its business throughout the Company, including the impact of weather-related events. Financial results and operational updates are reviewed with the Board of Directors on a quarterly basis.

Strategy

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 long 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.*

Response for Strategy

The Company's business is spread over several geographies. Personal property lines of business, including private passenger automobile, homeowners, and farmowners, are located in the Upper Midwest (North Dakota, South Dakota, and Nebraska). These states are subject to windstorms, tornados, hail, and the impact of excessive moisture or drought specifically to the crop insurance business. Commercial habitational property insurance is sold in the Eastern states from Pennsylvania to Georgia. Although there is only minimal insured business within the Atlantic Ocean coastal corridor, these states are still subject to hurricane risks of wind and water. Limited liability automobile coverages sold in Nevada and Arizona are subject to monsoon season.

Management continually assesses and manages the impact of these weather-related events on all segments of the business. Actuarial reviews consider frequency and severity loss trends from all sources of losses, including climate-related risks, in order to determine expectations for these short-term durational insurance products.

Management considers the impact of climate change in its annual catastrophe modeling process with reinsurance brokers. Through its reinsurance brokers, the Company has access to industry catastrophe deterministic and probabilistic models to estimate probable maximum losses from storms. This modeling helps quantify the financial impact of potential catastrophe events. The modeling builds in anticipated increases to storm frequency and severity, which may be a result of climate change. The modeling also includes stress testing, which factors in an increase in storm activity and losses to assess the impact on the Company's capital levels.

The actuarial reviews and catastrophe modeling helps to determine how much reinsurance coverage is appropriate for the Company to carry each year. The Company currently purchases catastrophe reinsurance to exceed a 1-in-500 year single event. The Company also purchases reinsurance on a per-risk basis and additional coverage for the crop insurance business. The objective of reinsurance is to reduce the potential short-term impact to the Company, including a reduction in surplus which may limit the ability to grow business volumes and remain competitive in the insurance space.

The Company also implements product features and underwriting rules to mitigate underwriting risks, including climate-related risks. These actions include wind/hail deductibles that are a percentage of the coverage being provided to the policyholders which assists the Company during times of inflation. In addition, the Company provides leak detection devices that alert policyholders if water is entering their property due to excessive rainfall, flood, or leaking pipes caused by extreme cold weather.

Management monitors industry research and publications, and regularly communicates with reinsurers and brokers on industry trends including weather-related events.

While there is no formalized plan in place, the Company has and will continue to implement ways to reduce its energy usage and carbon footprint. This includes decisions regarding office renovations, company vehicles, and technology upgrades which are again detailed as part of the Company's ESG efforts.

The Company has developed an ESG document which describes the various actions taken to address environmental and social issues, and provides information on its corporate governance practices. This document is shared with investors and other constituents via the Company's website.

<u>Risk Management</u>

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 insurer's processes for identifying and assessing climate-related risks. In describing the insurer's 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 the scenarios consider, what types of scenarios are used, and what timeframes are considered.

<u>Response for Risk Management</u>

Management continually assesses and manages the impact of weather-related events on all segments of the business. Actuarial reviews using loss data from the Company as well as industry sources consider frequency and severity loss trends from all sources of losses, including climate-related risks, in order to determine expectations for these short-term durational insurance products.

Management considers the impact of climate change in its annual catastrophe modeling process with reinsurance brokers. This modeling helps quantify the financial impact of potential catastrophe events. The modeling builds in anticipated increases to storm frequency and severity, which may be a result of climate change. The modeling also includes stress testing, which factors in an increase in storm activity and losses to assess the impact on the Company's capital levels.

The ERM Committee also considers climate-related risks at the enterprise level. ERM Committee meetings are held quarterly to review both existing and emerging risks to the Company.

The Company utilizes Conning as its investment manager. Conning, as a signatory to the Principles for Responsible Investment ("PRI") Initiative, has committed to incorporate ESG issues into their decision-making and ownership practices. Conning is also a signatory to PRI's new ESG in Credit Ratings statement, committing to incorporate ESG into their credit ratings and analysis.

Metrics and Targets

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 catastrophic 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.

Response for Metrics and Targets

The Company measures the impact of climate-related risks and opportunities primarily through analysis of product loss ratios and catastrophe modeling for reinsurance and capital management.

The Company's business is spread over several geographies. Personal property lines of business, including private passenger automobile, homeowners, and farmowners, are located in the Upper Midwest (North Dakota, South Dakota, and Nebraska). These states are subject to windstorms, tornados, hail, and the impact of excessive moisture or drought specifically to the crop insurance business. Commercial habitational property insurance is sold in the Eastern states from Pennsylvania to Georgia. Although there is only minimal business within the Atlantic Ocean coastal corridor, these states are still subject to hurricane risks of wind and water. Limited liability automobile coverages sold in Nevada and Arizona are subject to monsoon season.

Weather-related events may impact the loss ratios either favorably or adversely, in comparison to the priced-for level of losses. Actuarial reviews consider frequency and severity loss trends from all sources of losses, including climate-related risks. Management uses this knowledge to determine experience-based rate actions along with targeted underwriting rules, risk selection, and product changes.

Management considers the impact of climate change in its annual catastrophe modeling process with reinsurance brokers. This modeling helps quantify the financial impact of potential catastrophe events, and informs Management in developing a prudent reinsurance program structure. Weather-related events may adversely impact the reinsurance program if the severity of these storms results in losses which exceed the retention level, and multiple events may also adversely impact the program and the Company's financial results. As the frequency and severity of these events increase throughout the entire industry, the cost of reinsurance to the Company increases and thus the cost of insurance to policyholders also increases, even if the Company does not experience any events exceeding the retention level.

The Company currently purchases catastrophe reinsurance to exceed a 1-in-500 year single event. The objective of the program is to remain below the retention level for any weather-related event, which minimizes reinsurance recoveries. This objective is becoming harder to meet as the severity of these events increases, due to both the severity of the weather-event itself and the increasing loss costs which are being driven higher by inflation.