NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2022

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.

Response to Governance

AssuranceAmerica Insurance Company (AAIC) and InsureMax Insurance Company (IMIC) (collectively, the Company).

Although the Company does not have a written climate change policy with respect to risk management and investment management, the Company has implemented the following processes to address risks pertaining to weather - related events and natural disasters:

The Company bases its risk management and Investment management decisions on actual Insurance underwriting, claims and related experience, and qualified investment counsel, respectively. This data Is Incorporated into the Company's risk management framework which is designed to reasonably mitigate relevant risks affecting the organization, including the risk of weather - related events and natural disasters. Loss trends, Including those causes by weather -related events and natural disasters, are closely monitored as part of the Company's risk management framework. The Company's key business risks are communicated to and evaluated by its senior leadership. The Company maintains: 1) reinsurance to mitigate its insurance underwriting risk; and 2) business continuity and disaster recovery programs.

The Company considers ways to reduce expenses which may reduce emissions in its operations. Examples include but are not limited to: electronic delivery of policyholder documents and communications where allowed by law, digital communications and servicing where allowed by law and energy efficient information technology. The Company strives to implement these processes and technologies where appropriate and practical.

The Company has no publicly stated goals on climate- related risks and opportunities.

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 1-5 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 to Strategy

Although the Company does not have a written climate change policy with respect to risk management and investment management, the Company has implemented the following processes to address risks pertaining to weather - related events and natural disasters:

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The Company primarily writes nonstandard auto Insurance. The Company factors in weather -related events and/or natural disasters into its pricing model. In addition, the Company utilizes catastrophic event data and analytics provided by its reinsurance broker and factors it Into the Company's reinsurance strategy.

In order to assess exposure to the perils insured by the Company, the Company's book of business Is modeled on a semi-annual basis using the latest catastrophe models from both AIR and RMS. Both vendors review and update their models frequently in order to incorporate the latest science and data available for hurricanes and severe storms. While severe convective storm models do not explicitly account for climate change, hurricane models are calibrated every two years to revisions of the HURDAT2 database of hurricane position reports, allowing them to adapt differentially to changing climate patterns. The Company evaluates loss estimates using long-term event rates, as well as alternative sets of the RMS medium term rates and the AIR warm sea -surface temperature (WSST) rates. Utilizing both catalogs, in addition to the modeling of storm surge, allows the Company to capture a comprehensive view of hurricane risk.

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.

<u>Response to Risk Management</u>

The Company bases its risk management and Investment management decisions on actual Insurance underwriting, claims and related experience, and qualified investment counsel, respectively. This data Is Incorporated into the Company's risk management framework which is designed to reasonably mitigate relevant risks affecting the organization, including the risk of weather - related events and natural disasters. Loss trends, including those caused by

weather -related events and natural disasters, are closely monitored as part of the Company's risk management framework. The Company's key business risks are communicated to and evaluated by its senior leadership. The Company maintains: 1) reinsurance to mitigate its insurance underwriting risk; and 2) business continuity and disaster recovery
programs.

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The Company is a member of the American Property Casualty Insurance Association which tracks the issue of climate change and provides general information to its membership. The American Property Casualty Insurance Association reports on the activities of the National Association of Insurance Commissioners Climate Change Working Group, which is tasked with examining the impact of climate
change on the availability and affordability of insurance products. The Company factors in weather-related events and/or natural disasters into its pricing model. In addition, the Company utilizes catastrophic event data and analytics provided by its reinsurance broker and factors it into the Company's reinsurance strategy.

The Company bases its investment management decisions on market data and trends, and in consultation with its qualified investment counsel. Market data and trends, and investment counsel are incorporated into the Company's risk management framework designed to reasonably mitigate relevant risks affecting the organization, including the risk of weather-related events and natural disasters. The Company's key business risks, including investment risk, are communicated to and evaluated by its senior leadership. The Company believes that its investment strategy reasonably mitigates the Company's investment risk exposure to weather-related events and/or natural disasters.

METRICS AND TARGETS

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.

* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.

Response to Metrics and Targets

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The Company bases its investment management decisions on market data and trends, and in consultation with its qualified investment counsel. Market data and trends, and investment counsel are incorporated into the Company's risk management framework designed to reasonably mitigate relevant risks affecting the organization, including the risk of weather-related events and natural disasters. The Company's key business risks, including investment risk, are communicated to and evaluated by its senior leadership. The Company believes that its investment strategy reasonably mitigates the Company's investment risk exposure to weather-related events and/or natural disasters.