

NAIC CLIMATE RISK DISCLOSURE SURVEY

Encova Mutual Insurance Grp

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.

COMPANY RESPONSE

Encova Mutual Insurance Group, Inc. ("EMIG") is the ultimate controlling person of the insurance carriers that make up Encova Mutual Insurance Group ("Encova"). The EMIG Board has the ultimate responsibility for the oversight of all risks, including climate-related risks, and the management of such is embedded throughout Encova's business operations and risk management practices. The Board's Enterprise Risk Management subcommittee and the Investment Committee are most actively involved in the assessment of the opportunities and risks related to changing climate conditions and its impact to Encova. Each committee meets quarterly and includes senior management and key associates for the assessment and reporting of risks and opportunities facing the organization, including those tied to changes in climate. Encova's Senior Leadership Team ("SLT") is responsible for identifying and managing risks in a manner reasonably intended to achieve Encova's strategic objectives within the risk appetite level set by the SLT in consultation with the Board, establishing risk tolerance levels acceptable to the Board, assigning risk owners and ensuring that action plans are in place for identified risks.

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.

COMPANY RESPONSE

While Encova does not currently have a formal plan specific to the assessment, reduction and/or mitigation of greenhouse gas emission in our operations or organizations, we do actively manage the direct and indirect environmental impact our actions have on the communities where we operate and where our insureds are located. The company remains mindful of its environmental footprint and endeavors to minimize negative impacts. The majority of the company’s associates work from home reducing greenhouse emissions, fuel consumption, and air pollution. Additionally, the company continues to consolidate office space reducing our carbon footprint, eliminating physical property duplications, and producing less office material waste. The company engages its key constituencies as it is relevant to their risk management and loss prevention measures. The company encourages its policyholders to reduce their exposure to risk by taking the appropriate actions where needed and continues to inform and provide awareness around the benefits of risk mitigation. The company’s investment strategy supports the overall business strategy of achieving stable, quality returns in a risk-conscious manner by considering circumstances that reflect upon our reputation and support socially responsible interests.

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.

COMPANY RESPONSE

Encova's enterprise risk management processes seeks to identify exposures that could be affected by climate change elements and proactively address them through selection and reinsurance. The impact of severe and frequent weather events, both on the coast and inland are modeled, measured, and considered. The assessment of property concentrations in the event of weather-related occurrences are regularly evaluated throughout the year. The impact to policyholder surplus by modeling the probable maximum loss for 100 year to 500 year occurrences are conducted for strategic decision making. Additionally, extreme occurrences are also modeled to evaluate potential impact as part of Encova's risk management process. The management of the financial and legal risks related to climate change is a material consideration in the company's property and casualty underwriting practices. Regulatory changes at both the state and federal level that expand liability, restrict underwriting, and impact policy management are closely monitored. Procedures are continually adjusted to remain compliant and the additional risk costs associated weighed as part of our strategic decision-making process for projecting current and potential exposures. The company supports our policyholders with education, safety, training and sustainability assistance; and provides immediate coverage and environmental cleanup for those impacted by adverse events.

Encova's investment process monitors its investment managers adoption of environmental, social, and governance metrics in their investment selections. The company takes a holistic approach to its investments and considers the impact that social and environmental issues may have on its performance. The company continuously evaluates the portfolio to ensure it meets our objective of strengthening our capital position and does not subject us to unacceptable risk and exposure to major downturns. Green energy projects are included as part of our diversified investment portfolio. The company relies upon a sound investment policy to provide a conservative and diversified portfolio.

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.

COMPANY RESPONSE

The company's underwriting review process factors-in climate related exposures and is supported by a catastrophe modeling process for assessing the potential financial impact of related events on our business. These modeling results inform our overall business strategies. The company's risk appetite and risk tolerances establish the parameters with which we operate, and our actions are measured and monitored regarding its impact on capital. The company uses catastrophe modeling and stress tests our economic capital to assess the potential impact severe weather and other events may have on our business and financial strength. On an annual basis, the company evaluates the probable maximum loss for 100 year and 500 year occurrences. Changes in the model output are assessed as part of the company's overall enterprise risk management process. Geographic concentrations subject to severe weather events are evaluated by business line and aggregate company exposure.