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.

1A & B. Climate-related risks and opportunities are embedded within the company's enterprise risk management program. The Research & Development Vice President is responsible for overseeing the ERM function for the company and reports directly to the President & CEO.

As part of the ERM process, each top-level functional report to the CEO has been made a risk owner of various categories of risk. As part of the risk identification process, input was solicited from each risk owner to identify any measurements which would be needed surrounding that particular risk.

Each year, the Audit Committee of the Board of Directors receives a presentation on the state of the company's ERM program from the Research & Development Vice President. Senior leadership of the company is also provided a final copy of this report.

The Asset Liability Matching (ALM) committee is collectively responsible for ESG risks (including climate-related risks). The ALM committee reviews stress testing of key risk measures on a quarterly basis. The ALM committee is comprised of the President, Research & Development VP, Accounting VP, Investment Strategist and Director Accounting.

The ALM committee also reviews the company's formal liquidity plan on a quarterly basis. The liquidity plan includes stress testing for climate-related losses.

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.

2A. Due to the potential adverse impact on balance sheet and current operating results, the following risks are present in our short term analysis:

Climate change - The risk that changing weather patterns generate greater uncertainty in insurable losses and larger economic losses for society

Catastrophe - The risk that the company loses a material amount of surplus due to natural (earthquake or weather) or human (terrorism) losses, due to a single occurrence or in the aggregate

Reinsurance - The risk that a lack of available reinsurance will limit the type of business the company is available to write, or the placement of the program will become too difficult or the cost too high to increase covers

Pricing - The risk that the company's liability for a given set of loss exposures will be different than the rates charged for in the premium or the company is unable to achieve profitable growth due to the inability to effectively compete for business against other insurance carriers

Reserving - The risk that the company's liabilities for loss and LAE may ultimately settle at a different value than booked

In mid to long term views, the above risks are present. While there are many views on climate change, the underlying fact remains that the impact of storm losses on the company's loss ratio has roughly doubled in the last 5 years when compared to 5-10 years ago. Given other trends in the company's business with concentration and reinsurance, should weather related events continue to increase in magnitude the impact on future results will necessitate changes in the company's business plan.

In a long term view, pricing and reserving risk could become more significant. If successful litigation were to arise against certain industries that were involved in the past with greenhouse gas emissions, the Company could have very limited exposure. This risk is minimal due to the type of business written, limits written and reinsurance program for these liabilities.

The company has not engaged key constituencies on the topic of climate risk and resiliency. The company actively discusses the topic of climate risk with reinsurers and brokers.

2B. Consideration of climate-related risks is embedded throughout the company's business strategy and financial planning.

The company does not insure any of the top five carbon-intensive sectors.

The company continues to try and spread its risk both geographically and by line of business in recognition that weather related losses are a significant source of volatility for the company

"Green" coverages on new homeowners product and BOP allow policyholders to upgrade to more efficient products in the event of a covered loss.

The company has implemented a "Go Green" initiative with policyholders to encourage usage of electronic statements over paper, where applicable by law. This initiative also allowed the company to plant trees in select communities.

The company is exploring investment policy enhancements that would support sustainable investing while balancing IMT stakeholder interests. The Company's fixed income manager has provided preliminary analysis demonstrating most corporate and municipal holdings are considered to have medium to low risk of material financial impacts driven by ESG factors.

Modeling of climate-related risks and purchase of reinsurance is critical to the company's financial planning (see #3). Climate-related risks and modeling is utilized to input reinsurance costs and loss ratios into the financial projections.

The company's formal liquidity plan is utilized to stress test climate-related risks and model actual and projected cashflows in response to storm related losses and associated reinsurance recoveries.

2C. Each year, IMT evaluates how our exposure profile is changing by looking at, among other things, catastrophe modeling results and deterministic loss scenarios. IMT continues to buy reinsurance conservatively to protect against these scenarios and "worst case" loss occurrences. IMT will continue this practice in the future and increase/adjust reinsurance coverages as the portfolio evolves over time.

CAT annual measurements include: TIV/Square Mile, Average Attritional Storm Losses, Ceded Risk Margin % of Premium. Partnering with Aon to use impactOnDemand® for detailed concentration studies as well as catastrophe response.

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.

A. The company identifies and assesses climate-related risks within its enterprise risk management program (see #1). As part of the risk reporting process, a capital stress test has been created for each of the measurable areas of risk. The annual ERM report includes a financial summary of stress measurements (typically 99% VaR or 1 in 100 event) and as a % of surplus. Many of the stress measurements are evaluated quarterly. All measurements are evaluated at least annually.

B. The company's reinsurance programs are critical to managing climate-related risks. Given the increasing concentration in key states and impact of potential climate change, IMT relies on its catastrophe reinsurance program for balance sheet protection. Purchase of reinsurance includes an annual reinsurance review including cat modeling output from multiple models, input from reinsurance brokers on reinsurance purchase, deterministic scenarios, conservative occurrence reinsurance purchase between 1/250 to 1/500 scenario.

The company's underwriting strategies incorporate coverage restrictions (Roof ACV), insureds becoming responsible for a larger share of the losses (higher deductibles) and exposure restrictions in certain concentrated areas.

The company's process for managing climate-related risks includes ongoing products & pricing review, identification of high property exposure areas, analysis of storm and non-storm loss ratios in highly concentrated areas, etc. Each of these considerations corresponds to a risk identified and measured within the ERM program.

During 2023, rate increases were taken which impacted the total book of business by over 18%, with personal auto and homeowners taking on an oversized share of this increase. Similar increases have been taken in 2024, with even higher increases taken in the homeowners book of business.

The company has considered climate related risks associated with its investment portfolio:

- Portfolio duration of 5yrs is relatively short which allows for transition of concerning sectors and issuers out of the portfolio in a timely manner.
- Energy exposure is currently capped by our investment manager at 10% portfolio exposure, and individual bonds are limited to 10 year maturities.
- Under the Bank of England 2021 Climate Biennial Exploratory Scenario stress tests the portfolio performs relatively well. As expected the biggest impact is felt under the "no additional action" scenario.
- The company does not currently have a policy to prefer ESG-labeled securities, however its exposure is in-line with the broad market exposure at roughly 2.5%.

C. Climate-related risks and opportunities are embedded within the company's enterprise risk management program. See additional information in #1 above.

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.

4A. The company utilizes catastrophe models provided by both its reinsurance broker and internal models to understand its total loss exposure and manage climate-related risks. Occurrence PML scenarios use AIR Touchstone and RMS RiskLink models as follows:

- Gross Includes Wind, Tornado and Hail, EQ and FF, Demand Surge, a Loss Adjusting Expense Load (7%) and Reinstatement Costs
- Net Post-Cat. Includes Wind, Tornado and Hail, EQ and FF, Demand Surge, a Loss Adjusting Expense Load (7%) and Reinstatement Costs
- Deterministic Loss Scenario – Joplin Tornado Event

Aggregate catastrophe loss estimates utilize a combination of internal and AIR/RMS data. The model is reviewed and discussed with the modeling team from Holborn. Catastrophe aggregate reinsurance mitigates a key risk for the company.

4B. The company's primary scope 1 emission is from its fleet vehicles.

The company's primary scope 2 emission is from its home office building which was built in 2018 with energy efficient heating, cooling, lighting and plumbing.

The company's scope 3 emissions include investments, emissions by insureds (mitigated by the types of risks the company accepts), business travel, employee commuting (mitigated by hybrid work from home policies), employee emissions from home office sites, waste generated (mitigated by paperless initiatives).

4C. Reinsurance is purchased between 1/250 to 1/500 scenario. Stress measurements include 99.0 VaR Aggregate Net Storm losses over average losses sourced from the company's internal capital model.

CAT annual measurements include: TIV/Square Mile, Average Attritional Storm Losses, Ceded Risk Margin % of Premium. Partnering with Aon to use impactOnDemand® for detailed concentration studies as well as catastrophe response.