# 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.*

The Company does not have a formal plan directly related to climate-related risks and opportunities. The Company's lines of business consist entirely of private automobile minimum/low-limit liability policies in the nonstandard sector in historically underserved Hispanic markets. Auto liability and auto physical damage account for approximately 67% and 33% of total premiums written by the Loya Group, respectively. Due to the nature of the Company's operations, the Company does not believe that climate-related risks will have a significant impact on the Company's corporate governance, its strategies, or risk management. However, the Company acknowledges the importance of this issue to the industry and the regulatory agencies and is committed to follow initiatives whenever it is feasible to its activities. For example, although not formally codified in its investment policy, the Company has followed and will make every diligent effort to follow California's Climate Risk Carbon Initiative and refrain from making investments in thermal coal and/or fossil fuel.

## 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.*

Due to the nature of the Company's operations comprised exclusively of private automobile insurance in the nonstandard sector, the products offered by the Company are limited to basic programs such as minimum state required limits of liability coverage or low-limits coverage. As noted in #1, the Company directs its investment activities to follow California's Climate Risk Carbon Initiative guidelines. In addition, the Company has adopted informal measures to reduce emissions and be more environmentally conscious. These include recycling of paper, printer cartridges, and electronics. Our new buildings use energy efficient heating and cooling systems and lighting. We program heating and air conditioning systems for decreased usage during non-peak hours. Most of the underwriting, claims handling, and other administrative functions are conducted electronically which reduces paper usage. Personnel have been encouraged to use more electronic files in their workflow (ex. use of PDF files instead of printed copies). We continue to increase the use of conference calls, e-meetings, and webinars in place of travel.

## 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.

The Company's operations are comprised exclusively of private automobile insurance and the risks associated for these policies consist of underwriting risk and adverse claim frequency/severity trends. For auto policies that have comprehensive coverage, the Company is subject to catastrophic losses linked to climate change such as fires, hurricanes, flooding, severe thunderstorms, and tornadoes. However, the Company believes that the risk of catastrophic losses is low because most of its policies consist primarily of minimum or low limit liability policies, and the policies are not geographically concentrated (the Company currently writes business in 12 states). Historically, the catastrophic losses incurred by the Company have not had an adverse impact on the Company's results of operations or cash flows. The Company will continue to periodically reassess this risk using historical loss data and determine if changes to risk profile or investment policy is warranted.

## 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.*

Due to the nature of the Company's operations comprised exclusively of private automobile insurance in the nonstandard sector, the primary metric used by the Company to assess climate-related risks is the historical catastrophe losses incurred. As noted in #3 above, the Company believes that the risk of catastrophe losses is mitigated because the policies it writes are low-limit or minimum liability policies and the fact that the Company's business is not geographically concentrated. Historically, the catastrophic losses incurred by the Company have not had an adverse impact on the Company's results of operations or cash flows. The Company will continue to periodically reassess this risk using historical loss data and determine if changes to risk profile or investment policy is warranted.