

# NAIC CLIMATE RISK DISCLOSURE SURVEY

## MENDOTA INSURANCE COMPANY

### GOVERNANCE

Climate-related disclosure is managed at both the group and company levels. While Mendota Insurance Company ("Mendota") is the sole entity required to respond to this survey, Mendakota Insurance Company and Mendakota Casualty Company adhere to identical processes and procedures. The Board of Directors and the Product Management Department assess climate-related risks. The Board holds ultimate oversight responsibility, with three members also serving on the senior management team, ensuring direct insight into climate-related events. Mendota's President, who oversees Product Management, is tasked with escalating significant climate-related concerns to the Board. Given Mendota's focus on non-standard auto insurance with limited physical damage coverage and predominantly state minimum coverage amounts, the company's climate risk exposure is somewhat mitigated. However, Mendota remains committed to pricing that accurately reflects comprehensive risk profiles, including climate-related factors.

### STRATEGY

Mendota has identified the following climate-related risks, with timelines adjusted to reflect its non-standard auto insurance focus:

1. Increased frequency and severity of extreme weather events – short to medium term
2. Rising insurance premiums – short to medium term
3. Challenges in risk assessment and pricing – short to medium term
4. Potential market instability - medium term
5. Pressure to develop new products - medium to long term
6. Regulatory changes – short term
7. Investment portfolio changes – medium to long term

Mitigation strategies include:

1. Diversification across 10 states to spread geographic risk
2. Continuous process improvements and operational efficiencies to manage expenses
3. Territory-specific pricing models incorporating loss history and climate-related factors
4. Regular analysis of climate-related loss events and trends
5. Adaptive pricing strategies responsive to increased risks

Given Mendota's limited physical damage coverage (less than 50% of policies) and high proportion of state minimum coverage (over 93%), the company's exposure to comprehensive coverage losses is relatively low. However, increased comprehensive coverage loss frequency and severity remain the most immediate climate-related risks.

Mendota has implemented sustainable practices including:

- Reduced travel and paper usage
- Digital claims inspections
- Remote work policy for over 90% of staff

## RISK MANAGEMENT

Mendota conducts quarterly analyses of loss performance, including potential climate-related catastrophe losses. Risk mitigation strategies include:

1. State diversification to mitigate concentrated and coastal area risks
2. Professionally managed investment portfolio with climate risk considerations
3. Ongoing review of catastrophe loss data to inform pricing and underwriting decisions

While climate-related risks are managed at the company and board levels, Mendota recognizes the need to formally integrate these risks into its general enterprise risk management program. The company is developing a plan to incorporate climate-specific risk assessments and mitigation strategies into its broader risk management framework.

## METRICS AND TARGETS

Mendota tracks climate-related risks primarily through catastrophe loss data, including frequency, severity, and loss location. Given the company's focus on non-standard auto insurance with limited physical damage coverage, metrics are tailored to reflect this business model:

1. Catastrophe loss performance for comprehensive coverage policies
2. Frequency of weather-related claims in high-risk areas
3. Impact of extreme weather events on policyholder driving patterns and claim frequency

While catastrophe-specific modeling is not currently utilized, Mendota is exploring the development of climate-adjusted risk models that account for:

1. Projected changes in extreme weather patterns in its operating states
2. Potential shifts in policyholder behavior due to climate change
3. Long-term climate impacts on road infrastructure and vehicle technology

Mendota is also considering setting targets for:

1. Reducing the carbon footprint of its operations
2. Implementing climate-resilient practices in claims management and policyholder education