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: Sublimity Insurance Company (SIC) is a wholly owned subsidiary of United Heritage Financial Group, Inc. (UHFG). Climate-related risks and opportunities are identified, assessed, and managed by the SIC executive leadership team, working in concert with the UHFG executive leadership team. Responsibility for and oversight of climate-related financial risk management in SIC and the overall United Heritage enterprise ultimately rests with the UHFG Board of Directors (BOD), with specific responsibility delegated to the UHFG BOD Risk Committee. Our current investment policies are also overseen by the UHFG BOD Investment Committee and provide for broad diversification and risk mitigation.

As a property and casualty insurance company, climate-related risks and opportunities have an impact on SIC's insurance risk. The leadership teams periodically assess and manage the performance of SIC, including the risk and impact of climate-related events. As a result of its risk management activities, SIC has strategically modified its own reinsurance protection and enhanced its underwriting guidelines with new tools and measures for underwriting climate-related risks. These strategies guide SIC to stay within tolerable limits for probable maximum loss, concentration of loss, and underwriting new business in risk prone areas. Financial results and operational updates are reviewed with the BOD on a quarterly basis. SIC does not have a specific climate change policy.

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: SIC's business is concentrated in Idaho, Oregon, and Utah. Thus, climate-related risks and opportunities directly impact SIC's insurance risk. Wildfire and severe convective storm (SCS) risks are the primary climate-related risks that SIC actively monitors and manages. These risks continue to present the largest climate-related risk over the short, medium, and long term. Management periodically identifies and assesses the impact of these climate-related events.

Climate-related initiatives are part of the United Heritage's Enterprise Risk Management (ERM) program that incorporates Environmental, Social, and Governance (ESG) risks. Due to the rise in frequency and severity of catastrophic (CAT) wildfire and SCS events SIC has strategically modified its own reinsurance protection to provide financial resilience in a CAT event scenario. Strategic use of reinsurance protection has significantly changed in recent years to address climate related CAT event losses. SIC also has new, enhanced tools to measure the increased risk of wildfire and SCS losses in its underwriting, pricing, and concentration guidelines.

SIC's efforts to reduce greenhouse gas emissions and good faith efforts to transition to a low-carbon economy include encouragement of recycling (including paper, plastic, furniture and office equipment products) and offering hybrid and fully remote work schedules.

SIC has been negatively impacted by CAT losses from both wildfire and SCS events over the last five years. Its reinsurance programs and underwriting measures have supported the financial resilience to endure the rising severity of loss. Reinsurance protection also is a rising cost, and further adjustments may be necessary. SIC has not specifically taken into consideration a 2 degree Celsius or lower scenario. SIC does not provide insurance products or services that support the transition to a low carbon economy or help customers adapt to climate-related risk. SIC has not formally identified any short-, medium-, or long-term climate-related risks or opportunities.

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.

Response: SIC periodically assesses and manages the impact of climate-related events on the business. Any key risks that impact the business are identified, assessed, and managed through the Enterprise Risk Management (ERM) framework and brought before the UHFG BOD Risk Committee on an as-identified basis.

The ERM framework, facilitated by the UHFG's Chief Risk Officer, has a consistent taxonomy to identify, assess, and manage strategic, financial, operational, technology, governance and compliance risks. As risks are identified, they are assessed for defined levels of impact, probability, velocity, and related controls to ensure the company is within the tolerable risk appetite. Based on the results of these measurements, resources are prioritized and applied to address those risks to bring them within appropriate tolerance levels. As with all risks and their resulting risk response, ongoing monitoring is in place to ascertain residual risk and the necessity for additional action.

Wildfire and SCS risks are the primary climate-related risks that SIC actively monitors and manages within its underwriting portfolio. SIC uses two different wildfire risk assessment tools to get varying views of wildfire exposure based on the two different models, and we have underwriting guidelines in place related to the risk scores returned. SIC also works directly with its reinsurance partners to model and analyze probable loss scenarios due to wildfire, SCS, and other CAT events based on data such as wind, weather, fuel, slope, and geography. Utilizing this information SIC measures its tolerable limits for new business and concentration of business that may be impacted by such events during an annual period.

As the frequency and severity of wildfire events has occurred, SIC has changed its underwriting appetite to only accept low wildfire risk scores and to reduce its concentration of wildfire exposed business in high-risk areas according to the wildfire risk assessment tools. This allows SIC to manage its tolerable risk under its reinsurance programs also.

SIC encourages homeowners to create defensible space around their properties to help mitigate losses from wildfire and falling trees in SCS events. SIC staff call policyholders during active wildfire activity to help them prepare with watering their property, moving animals, and evacuation if necessary.

SIC has not performed a detailed climate scenario analysis on its investment portfolio in an attempt to quantify climate-related risks. Measurable ESG ratings for investments are still in their infancy and there are currently no standardized ratings that can be used to accurately determine ESG exposure. Our current investment policies, overseen by the UHFG BOD Investment Committee, provide for broad diversification and risk management.

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.

Response: SIC measures the impact of climate-related risks and opportunities primarily though analysis of Probable Maximum Losses and catastrophe modeling for reinsurance.

Our reinsurance broker assists with the catastrophe modeling of our portfolio for the perils of earthquake (including fire following), SCS, and wildfire using the AIR model and the RMS model (wildfire not included in RMS). The model results inform our decisions on the purchase of reinsurance to provide financial resilience in a CAT event scenario. Strategic use of reinsurance protection has significantly changed in recent years to address climate related CAT event losses. SIC also has new, enhanced tools to measure the increased risk of wildfire and SCS losses in its underwriting, pricing, and concentration guidelines. The AIR wildfire model is also used to produce a risk aggregation score that combines wildfire risk with policy aggregation to help inform underwriting decisions and manage aggregation in areas exposed to wildfire risk.

For the individual perils in the catastrophe models, as well as all perils combined, the models provide Probable Maximum Losses at several return periods varying from 1:5 years to 1:10,000 years along with average annual losses. These results are reviewed annually as a measure of how our risk may be changing over time. Actual losses experienced from any of these perils are also tracked and measured in relation to non-climate-related perils.

SIC has not formally identified SIC's greenhouse gas emissions. SIC's output is minor as it has one building and 2 vehicles. We comply with all local and state required guidance on emissions, including all clean building standards.