# 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

The Board delegates climate-related risks and opportunities to the officers of Midwest Family Group. Our staff continues to be exposed to market publications in which climate change information is discussed and what impact this could have on our claim's activities. Our geographic exposure can be affected by these types of changes.

## 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

The Midwest Family Group is continuing to monitor the payment of claims, and sees a possible impact from climate change on both frequency and severity.  MFM utilizes a risk management platform developed by our reinsurance broker. This allows us to evaluate the particular exposure of risks by location such as wildfire, hail, wind, earthquake and flood. This platform provides hazard rating and scoring based on historical data. Furthermore, we have leveraged data visualization tools to map our exposures to identify and mitigate geographic saturation that might over-expose the company to a single convective storm, flood, earthquake, or wildfire event. The impact of our loss trends and investment portfolio are periodically explored by the company so that appropriate pivots can be developed.

# 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

Midwest Family Group continues to monitor the payment of claims and sees the potential impact of climate change on both frequency and severity. MFM utilizes a risk management platform provided by our reinsurance broker. This allows us to assess specific hazard exposure by location such as wildfire, hail, wind, earthquake and flood. This platform provides hazard rating and scoring based on historical data. MFM has put a geographical diversification strategy in place since 2009. In doing so, we have mitigated the volatility and unsystematic risk associated with climate change. As systematic risk continues to accelerate, rate adequacy and responsible underwriting has been required to offset the upward loss trends associated with climate change, urban sprawl, and inflation. Furthermore, MFM has structured policies with a more prevalent use of ACV coverage, higher deductibles, and wind/hail deductibles in order to effect more co-participation by our insureds in losses caused by convective storm. As part of our ERM policies, we conduct annual scenario analysis to gauge the impact of convective storm activity and other perils at the 1 in 250 and 1 in 500 occurrence levels as determined by RMS and AIR Cat modeling.

## 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

Midwest Family Group targets a property exposure saturation paired with Catastrophe and Per Risk reinsurance that protects the company from a 1 in 250 event. We leverage RMS and AIR CAT modeling to determine our protection. However, we rely on the CAT Models to assess the impact of climate change, inflation, and urban sprawl in a way that provides us accurate feedback for purchasing reinsurance limits. Despite our trend in geographic diversification, the CAT Models have shown an increase in our PML in recent years consistent with the impact of climate change paired with real inflation.

* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.