

New Jersey Manufacturers Insurance Company
NAIC No. 12122
NAIC Climate Risk Disclosure Survey Response
Reporting Year 2023

Question 1 – Governance

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.

NJM Response

NJM does not have formal, publicly stated goals relating to climate-related risks and opportunities. However, NJM's Enterprise Risk Management ("ERM") Program is responsible for identifying and managing enterprise-level risks, which include climate-related events in the form of hurricanes, floods, and/or windstorms, which could impact policyholders and the Company's ability to serve them. NJM's ERM Program is managed throughout all levels of the organization, including the Executive Leadership Team, with direct oversight by NJM's Audit Committee, which is comprised of a selected group of members of the Board of Directors.

Closed-Ended Questions

- Does the insurer have publicly stated goals on climate-related risks and opportunities?

NJM Response: No

- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk?

NJM Response: Yes

- Does management have a role in assessing climate-related risks and opportunities?

NJM Response: Yes

- Does management have a role in managing climate-related risks and opportunities?

NJM Response: Yes

Question 2 – Strategy

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; describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

NJM Response

Climate change and its connection to more frequent hurricanes, floods and/or windstorms could have a significant impact to NJM homeowners, automobile and commercial policyholders. As such, annual catastrophe modeling is used to assess and manage the potential impact of certain weather/climate change related events. This includes identifying geographical areas with the greatest likelihood of financial impact. The Company's Claims Catastrophe Response Plan is continuously reviewed and updated, and improvements are made to the Business Continuity Plan, when necessary, to better serve policyholders should a catastrophic event occur. Additionally, to protect all property exposures from a

catastrophic weather-related exposure, NJM annually reviews its reinsurance program utilizing industry-based loss modeling data to mitigate any financial impact from probable maximum loss scenarios at various stages, e.g., 1 in 100-year storm, 1 in 250-year storm.

From an investment perspective, pursuant to its General Investment Policy, NJM incorporates environmental considerations into investment making decisions, when appropriate, with the goal of generating financial return while considering environmental change. In addition, NJM has a certain amount of fixed income ESG-specific holdings, the proceeds of which are used for ESG-positive projects.

While NJM does not currently offer products or services to support the transition to a low carbon economy, NJM helps its policyholders adapt to climate-related risk by offering emergency preparedness information via newsletters and NJM.com, which provides seasonal safety tips, flood insurance information, and hurricane preparedness suggestions for minimizing losses after an event.

As to engaging key constituencies on the topic of climate risk, NJM is a member of the Advisory Committee for the New Jersey Climate Change Alliance, which is a network of policymakers, public and private sector practitioners, academics, and business leaders designed to build climate change preparedness capacity in New Jersey. NJM is also a major sponsor of Sustainable Jersey, a nonprofit organization that provides tools, training, and financial incentives to support communities as they pursue sustainability programs. Additionally, NJM is a board member of the Jersey Shore Partnership, a nonprofit advocate for the protection and preservation of New Jersey's coastal communities. Lastly, NJM makes various charitable contributions to environmentally centered organizations through its Corporate Giving Program, which includes, among others, the D&R Greenway Trust, Earthshare New Jersey, and Bowman's Hill Wildflower Preserve.

NJM does not have a formal plan to assess, reduce, or mitigate emissions in its operations. However, in January 2020, NJM began purchasing Green-e Energy-certified Renewable Energy Certificates (RECs), which support renewable electricity production and displace emissions associated with fossil fuel-powered electricity generation. NJM has purchased RECs in an amount equivalent to 50% of NJM's electricity usage. All NJM facilities have state-of-the-art building automation systems, energy efficiency lighting, and high-efficiency chilled water systems. NJM has received the LEED Silver Certification of Commercial Interiors for portions of NJM's Hammonton, New Jersey office. NJM also recycles paper, glass, and metal, and uses imaging technology and paperless transactions. NJM employees also utilize hybrid and remote work schedules to reduce automobile traffic and air pollution.

Closed-Ended Questions

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency?

NJM Response: Yes

- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk?

NJM Response: No

- Does the insurer make investments to support the transition to a low carbon economy?

NJM Response: Yes

- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations?

NJM Response: Yes

Question 3 – Risk Management

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 insurer's processes for identifying and assessing climate-related risks. In describing the insurer's 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.

NJM Response

See previous responses.

Closed-Ended Questions

- Does the insurer have a process for identifying climate-related risks?

NJM Response: Yes

- If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process?

NJM Response: Yes

- Does the insurer have a process for assessing climate-related risks?

NJM Response: Yes

- If yes, does the process include an assessment of financial implications?

NJM Response: Yes

- Does the insurer have a process for managing climate-related risks?

NJM Response: Yes

- Has the insurer considered the impact of climate-related risks on its underwriting portfolio?

NJM Response: Yes

- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks?

NJM Response: Yes

- Has the insurer considered the impact of climate-related risks on its investment portfolio?

NJM Response: Yes

- Has the insurer utilized climate scenarios to analyze their underwriting risk?

NJM Response: Yes

- Has the insurer utilized climate scenarios to analyze their investment risk?

NJM Response: Yes

Question 4 – Metrics and Targets

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.

NJM Response

NJM addresses climate change risks through its Enterprise Risk Management (ERM) Program. Additionally, a Business Continuity Plan has been developed to enable the Company to continue servicing its customers and policyholders if one or more of the Company's office locations are deemed unavailable. NJM also maintains a Claims Catastrophe Response Plan to assist policyholders who may have insurance losses due to a significant weather-related event.

Furthermore, every year, NJM engages an independent consulting firm to perform a Catastrophe Modeling Analysis of NJM's entire portfolio of property exposures. This analysis, which is focused on hurricane risk, is based on comprehensive meteorological and property risk data, which provides NJM with probable maximum loss scenarios at various stages, e.g., 1 in 100-year storm, 1 in 250-year storm. The results of this analysis allow NJM to purchase the appropriate amount of reinsurance to mitigate financial implications resulting from a catastrophic weather-related event.

Additionally, NJM continually monitors its personal lines book of business with a focus on the ratio of coastal to non-coastal properties in New Jersey. NJM's commercial lines book of business uses independent predictive modeling to appropriately classify, segment and price commercial properties based on factors that include environmental risk factors. Lastly, NJM continues to seek opportunities to diversify its book of business, including recent expansions into lines of business and geographic regions offering different risk profiles.

Closed-Ended Questions

- Does the insurer use catastrophe modeling to manage your climate-related risks?

NJM Response: Yes

- Does the insurer use metrics to assess and monitor climate-related risks?

NJM Response: Yes

- Does the insurer have targets to manage climate-related risks and opportunities?

NJM Response: Yes

- Does the insurer have targets to manage climate-related performance?

NJM Response: Yes