

8/27/2024

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 the following:

- Describe the position on the board and/or committee responsible for the oversight of managing the climate-related risks and opportunities.
- B. Describe management's role in assessing and managing climate-related risks and opportunities.

RESPONSE TO GOVERNANCE

1. Western National Mutual Insurance Company ("WNM") has prepared these responses on behalf of itself and its subsidiaries. The board of directors of WNM, as a whole, is tasked with keeping informed of climate-related developments at the group level. In turn, the responsibility for the board's education falls to Senior Management, which meets this burden through educational presentations and updates throughout the year. Responsibility is met by executive management's Enterprise Risk Management Committee, and Reinsurance Committee input.

We do not have publicly stated goals, but we do support prudent climate-related initiatives. At the group and company levels, climate-related risks are addressed through monitoring risks, and concentration of risks as well as annual stress test analysis.

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 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 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 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 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 TO STRATEGY

2. The Group supports, via contributions and participation, industry organizations and research and analysis performed by those organizations, including NAMIC and state level trade associations.

All of the following are short-term opportunities we have already implemented to mitigate emissions in operations: roof-top solar panels on our office building, paper reduction initiatives, recycling, and refillable water stations. We also allow work from home opportunities to reduce gas use.

We are focused on property risk concentrations. We do not insure coastal risks, are not heavily exposed to wildfire, and we do not write agribusiness products such as crop insurance. We include ESG considerations in our investment analysis.

We have a robust and well calculated reinsurance program, with diversified reinsurance partners to support us in the event of catastrophic weather events.

In connection with our Enterprise Risk Management Committee, we stress test various scenarios that could negatively impact our operations or increase enterprise level risk, including catastrophic weather events.

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 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' process for identifying and assessing climate-related risks.

In describing the insurers' process 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 process 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 TO RISK MANAGEMENT

A. We have systems in place to analyze and aggregate risk by specific street addresses to avoid too heavy a concentration of any risk at any location. This is done on an on-going basis, with annual modeling at a minimum.

B. See above. We do not insure coastal risk and monitor and limit the wildfire risks written.

C. This is part of our Enterprise Risk Management Committee's on-going responsibility, which includes keeping an awareness of business written, as well as initiatives for new business and expansion.

We write policies of no more than 12 months in length, which allow us time to adapt to changing conditions and risks.

We do not actively utilize climate scenarios when making investments decisions.

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 TO METRICS AND TARGETS

- A. We use modeling for potential wind/hail events, freezing events and wildfire events. We purchase reinsurance for 250-year events and greater.
- B. Scope 1. We have enabled our employees to take part in a full-time or hybrid work from home schedule, thereby limiting car/gasoline emissions.

Scope 2. This pertains to our parent company, Western National Mutual Insurance Company. We have installed roof-top solar panels at our Edina headquarters building. We have also installed water filling stations to reduce the use of plastic water bottles. We have been awarded "Gold" status from the City of Edina's Green Business Recognition program which recognizes businesses for their efforts to improve energy efficiency, recycling, waste disposal, and water conservation.

Scope 3. We have discontinued the use Styrofoam coffee cups, encouraging reusable or recyclable products instead.

We do not currently have targets, but as stated above, we are making wise and prudent changes and improvements. For example, we are distributing policies electronically to reduce paper usage where it is practical to do so.