# CLIMATE RISK DISCLOSURE SURVEY RESPONSE
**Skyward Specialty Insurance Group, Inc. (NAIC#: 4381)**
**Houston Specialty Insurance Company (NAIC#: 12936)**
**Imperium Insurance Company (NAIC#: 35408)**
**Great Midwest Insurance Company (NAIC#: 18694)**
**Oklahoma Specialty Insurance Company (NAIC#: 14175)**

## I. Corporate Background

Skyward Specialty Insurance Group, Inc. ("Skyward Specialty," the "Company", or "we") was formed as a Delaware corporation on January 3, 2006 as an insurance holding company. We operated under the name Houston International Insurance Group, Ltd. until we re-branded as Skyward Specialty in November 2020. In January 2023, Skyward Specialty completed an Initial Public Offering of shares of common stock. The Company is now listed on the Nasdaq stock exchange under ticker "SKWD." We are a growing specialty insurance company delivering commercial property and casualty ("P&C") products and solutions on a non-admitted (or excess and surplus ("E&S")) and admitted basis, predominantly in the United States.

Our portfolio of insured risks is highly diversified — we insure customers operating in a wide variety of industries; we distribute through multiple channels including wholesale distributors, retail agents, MGA/MGUs and Captives; we write multiple lines of business, including general liability, excess liability, professional liability, commercial auto, group accident and health, property, surety and workers' compensation.

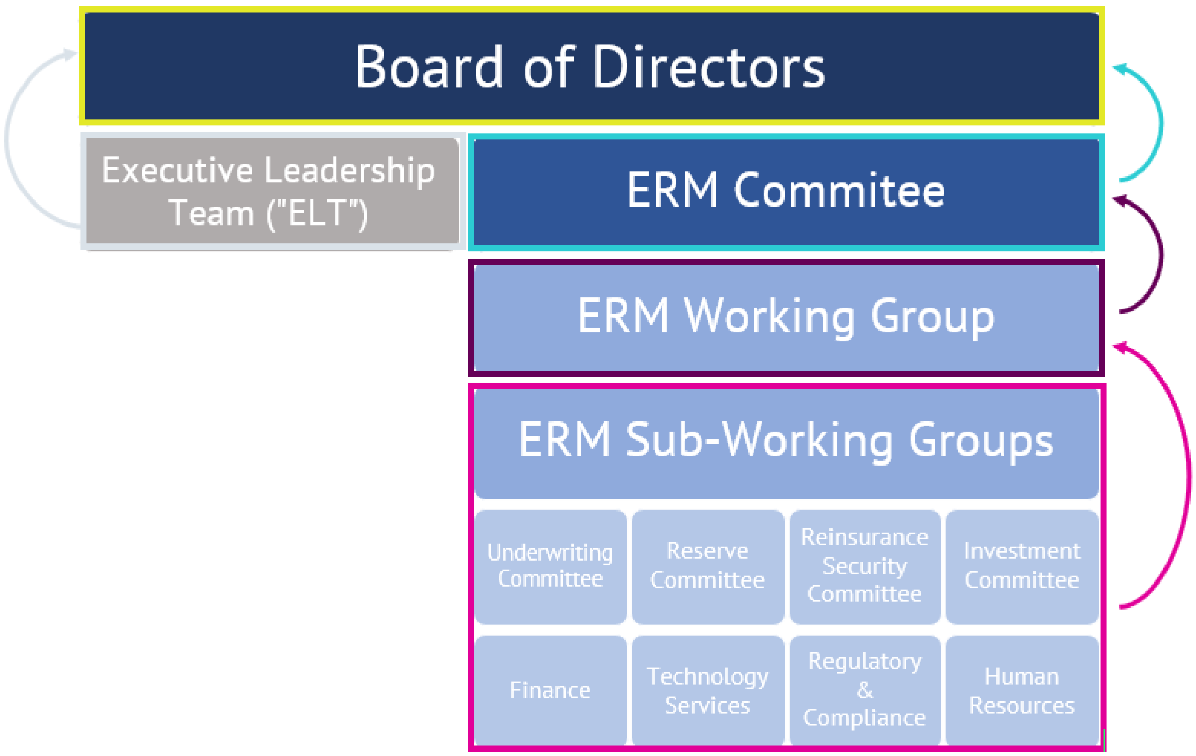
We conduct our operations principally through four insurance companies. Houston Specialty Insurance Company ("HSIC"), which is our largest insurance subsidiary, underwrites multiple lines of insurance on a surplus lines basis in 50 states and the District of Columbia. Imperium Insurance Company ("IIC"), a subsidiary of HSIC, underwrites on an admitted basis in all 50 states and the District of Columbia. Great Midwest Insurance Company ("GMIC"), a subsidiary of IIC, underwrites multiple lines of insurance on an admitted basis in all 50 states and the District of Columbia. Oklahoma Specialty Insurance Company ("OSIC"), a subsidiary of GMIC, is an approved surplus lines carrier in 49 states and the District of Columbia.

Below are the Company's responses to the annual Climate Risk Disclosure Survey. This response is structured around four thematic areas that are core elements for how we operate — governance, strategy, risk management, and metrics and targets. The four thematic areas are supported by key climate-related financial disclosures that build out the framework with information that will help regulators and others understand how we approach climate-related issues.

## II. Governance

We have embedded enterprise risk management ("ERM") throughout our company and it helps guide our day-to-day activities. Our risk culture and governance practices are established at the very top of the organization by the Board of Directors, CEO, and Executive Leadership Team ("ELT"). The following attributes are integral parts of our leadership team:

- Holistic view of risk and risk management,
- Familiarity with the Company's existing risks,
- Awareness of emerging risks in mission critical areas, and
- Accountability for any instances of failure.




From a day-to-day operational standpoint, the Company maintains the ERM Working Group, which is comprised of key Senior Leaders that each oversee individual sub-working groups. The ERM Sub-Working groups are comprised of Senior Leadership and management level employees that focus on specific functional or operational areas for risk evaluation. The items identified by the Sub-Working Groups are reviewed by the ERM Working Group as a whole. Once the ERM Working Group concludes its evaluation of the identified risks, the Chief Risk Officer takes these findings to the ERM Committee and the ELT, who utilize this information in determining Skyward Specialty's future corporate strategy and milestones.

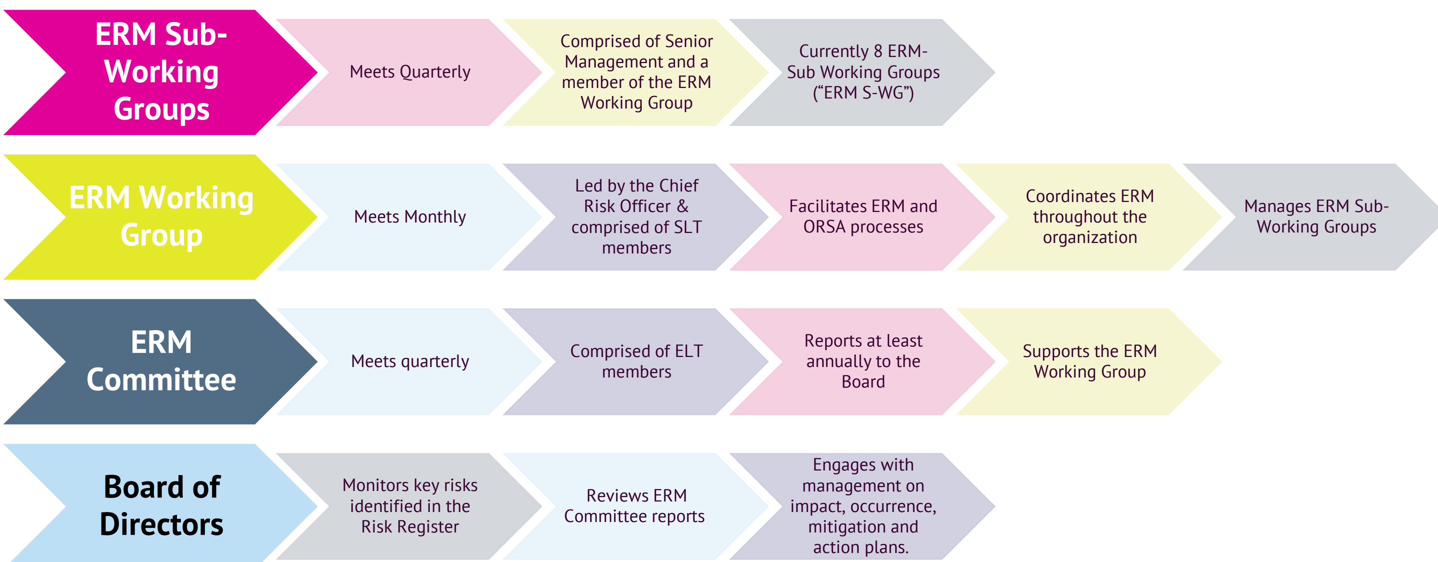
The cross-functional ERM Committee is chaired by the Chief Risk Officer and is comprised of a key group of individuals responsible for the oversight of corporate risks, including the CEO, Chief Risk Officer and Chief Actuary. The ELT includes the Chief Executive Officer, Chief Financial Officer, General Counsel, Chief Actuary, Chief Information & Technology Officer and other key management positions. On a weekly basis the Chief Risk Officer reviews the Company's risk profile with the ELT and each quarter the Chief Risk Officer presents a formal

ERM report to the Risk Committee of the Board of Directors. This report includes a review of the following:

- Current top ten (10) risks evaluated in the quarter,
- Performance against Risk Tolerances,
- Modeled simulations effect on the capital and BCAR rates, and
- Mitigation plans relating to the identified risks.

The Risk Committee further reviews these risks and the corresponding mitigation plan with management. The Risk Committee then provides the necessary update to the Board of Directors relating to the risks identified and future courses of action.

The below pictorial depicts the key roles and responsibilities of each group that makes up Skyward Specialty's ERM process




Closed Ended Questions:

- Does the insurer have publicly stated goals on climate-related risks and opportunities? No
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? Yes
- Does management have a role in assessing climate-related risks and opportunities? Yes
- Does management have a role in managing climate-related risks and opportunities? Yes

## III. Strategy

Skyward Specialty's culture is the driving force behind our approach to Environmental, Social and Governance ("ESG") practices. We approach each ESG component individually, assess the areas of opportunity, and make strategic adjustments as needed. This approach enables us to remain agile and evolve our strategies as industry best practices emerge and new regulations are implemented. We continue to develop environmental strategies that best reflect who we are as a company and are sustainable long-term.

We take a balanced approach to our underwriting and are firm in our stance that insurance and risk management solutions and services are essential to helping insureds to manage their environmental risks. Further we continuously seek to increase our portfolio of insured companies in the alternative energy space, including those involved in biofuel conversion, solar/wind contractors, and precious metals mining for lithium to power electric vehicles. We also continue to implement technology and data science innovations to help predict the needs and coverages for our insureds so they are better prepared to respond to climate-related risks and events. For a more detailed explanation see Section V. titled Metrics and Targets below.

Finally, we formalize our own view of risk and solvency in terms of potential economic loss using our Economic Capital Model ("ECM"). We use the output of our ECM to measure potential earnings and capital loss for a range of scenarios. More specifically, our ECM provides a probabilistic modeled view of earnings and capital loss that brings together the potential loss from catastrophes, reserving, underwriting, market, credit risk, strategic and operational risks.

Closed Ended Questions:

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? No
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? Yes
- Does the insurer make investments to support the transition to a low carbon economy? Yes
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? No

## IV. Risk Management

Aside from maintaining our ECM and overseeing our risk tolerance framework, our Chief Risk Officer works with our ERM Working Group and Committee to review and maintain a comprehensive listing of key risks, knows as the "Risk Register," with accountabilities to ensure appropriate mitigations are in place and are monitored for any change. The Risk Register includes a high-level description of each risk, a detailed description of the implication or potential impact of the risk, an inherent risk rating, the internal control or mitigating circumstances that lessen the impact or implication of the risk, the risk owner(s) responsible for monitoring the risk and a residual risk rating after application of controls and mitigating circumstances. We construct our operational processes and controls with a view to identify, assess and manage key risks on an ongoing basis.

Our business is exposed to the risk of severe weather conditions, earthquakes and man-made catastrophes. The incidence and severity of catastrophes and severe weather conditions are inherently unpredictable. We manage our exposure to losses by analyzing the probability and severity of the occurrence of loss events and the impact of such events on our overall underwriting and investment portfolio and strategically use reinsurance to offset those identified exposures. The climate related risks that we have identified are substantially limited to a segment of our business that writes commercial property policies which have claims related to weather events. When underwriting these types of policies, we take into account possible weather and climate change risks in conjunction with our computer modeled climate-related risks to properly evaluate and assess the underwriting risk and rating to ensure that our risks are not too heavily aggregated in a particular geographic risk zone. In addition, properties are categorized into different tiers, based on geographic locale, which are also used to make underwriting risk and rating decisions. See the below explanations in Metrics and Targets for more details on how we purchase catastrophe reinsurance and how climate related risks are taken into account.

Further, we have developed an award-winning, proprietary innovative loss control program that delivers integrated, real-time intelligence to improve driving performance, lower risk and potentially save lives. Our commercial auto clients have access to these powerful data analytics that provide key insights into safety and gives clients greater control over managing risk.

As a company, we consistently look for ways to reduce and mitigate our direct emissions where possible. These efforts include allowing the majority of our workforce to work fully remotely (approximately 60%), yearly charitable environmental clean-up efforts, and partnering with insurtech companies who use the latest data science to reduce and mitigate weather related risks.

We have also worked with the management company of our primary office building to ensure all avenues are explored in order to reduce our footprint in the future. In addition to our primary office building being LEED certified, the management company has instituted several programs to help reduce its tenants "emissions," including the following:

- Building Automation system - after-hours shut off of over 80% of building lighting.
- Restroom Motion Sensors - saves approximately 216,000 kilowatt-hours per building per year.
- LED Light bulbs are on all new construction.
- Energy efficient chemical water treatment - for cooling of buildings saves 750,000 kilowatt-hours per year.
- Green Cleaning Chemicals - at least 60% of the cleaning and paper products used are approved as Green Seal and Environment choice for low voe content and low environmental impact.
- Water Use Reduction - the installation of low flow, automatic water closets, urinals and faucets saves approximately 600,000 gallons per year compared to similar buildings.
- Building wide recycling program for paper, cardboard, plastic metal and batteries
- Landlords in other of our office buildings have introduced similar programs.

Close Ended Questions:

- Does the insurer have a process for identifying climate-related risks? Yes
- If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? Yes
- Does the insurer have a process for assessing climate-related risks? Yes
- Does the insurer have a process for managing climate-related risks? Yes
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? Yes

- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? No
- Has the insurer considered the impact of climate-related risks on its investment portfolio? No
- Has the insurer utilized climate scenarios to analyze their underwriting risk? Yes
- Has the insurer utilized climate scenarios to analyze their investment risk? No

## V. Metrics and Targets

We use reinsurance to manage volatility from a single loss and for cumulative losses tied to a single event or series of events. We buy catastrophe reinsurance to further mitigate an aggregation of property losses due to a single event or series of events. To inform our purchase of catastrophe reinsurance, we use third-party stochastic and our own deterministic models to analyze the risk of aggregation of losses from such events. These models provide a quantitative view of PML events, which is an estimate of the level of loss we would expect to experience once in a given number of years (referred to as the return period). Based upon our modeling, it would take an event beyond our 1 in 250-year PML to exhaust our $51.0 million property catastrophe coverage. Additionally, we seek to expose no more than 3.0% of our stockholders' equity to a catastrophic loss that is less than a 1 in 250-year event. We have never had a loss that exceeds our CAT Reinsurance cover.

We review climate related risks when running our analysis on CAT Reinsurance purchasing, as well as when we run our capital modeling for ERM Risk Tolerances. We run our PML's through RMS and AIR modeling software. These models take into consideration hurricanes (including storm surge), severe convective storms, and winter storms. We look at return periods from 5 years to 1,000 years.

Close Ended Questions

- Does the insurer use catastrophe modeling to manage your climate-related risks? Yes
- Does the insurer use metrics to assess and monitor climate-related risks? Yes
- Does the insurer have targets to manage climate-related risks and opportunities? Yes
- Does the insurer have targets to manage climate-related performance? No