STARR
INSURANCE

NAIC Climate Risk Survey Disclosure for Fiscal Year 2023

The below response is submitted on behalf of Starr Indemnity & Liability Company, a property and casualty insurance company organized under the laws of the State of Texas, ("Starr Indemnity"), and its two wholly-owned subsidiary companies, Starr Specialty Insurance Company, a property and casualty insurance company organized under the laws of Texas ("Starr Specialty Insurance"), and Starr Surplus Lines Insurance Company, a surplus lines insurance company organized under the laws of Texas ("Starr Surplus Lines"). Starr Indemnity, Starr Specialty and Starr Surplus Lines (hereinafter, the "Company") are indirect, wholly-owned subsidiaries of Starr International Company, Inc., a company organized under the laws of Switzerland ("Starr International").

Starr International is a global, privately-held insurance, travel services, and financial services organization. Starr International, through its insurance company subsidiaries, is principally engaged in providing insurance to primarily commercial organizations that have both a national and global scale. The insurance products offered by the insurance company subsidiaries of Starr International cover a wide variety of lines of business, including commercial and specialty property, primary and excess casualty, aviation, marine, environmental, crisis management, workers' compensation, and accident and health insurance. Starr International, through its operating company subsidiaries, also provides a broad spectrum of insurance-related services, including claims handling and settlement, reinsurance, risk assessment, loss control, and worldwide travel assistance services.

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:

- **a. 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.**

As privately held insurance companies, Starr Indemnity, Starr Specialty Insurance and Starr Surplus Lines have not been required to make any public statements regarding climate-related risks or opportunities. At the individual company level, the Risk and Compliance Committee of the Board of Directors of each insurer is responsible for oversight of climate-related risks and opportunities and ensuring specific company initiatives and concerns are represented as part of the Starr International group risk efforts.

The Company benefits from its Enterprise Risk Management ("ERM") function, which has primary responsibility for managing climate-related risks and opportunities at the group level. The Enterprise Risk Management Committee ("ERM Committee") is comprised of members of executive management within the Starr organization, including management for Starr Indemnity and its subsidiaries.

The ERM Committee assists Starr in fulfilling its oversight responsibilities related to: (1) monitoring any emerging risk issues associated with Starr's insurance activities and its investment portfolio; and (2) Starr's ERM programs and policies, including risks relating to business and financial strategies, operations, compliance, reputation, ethics, cybersecurity and other Environmental Social and Governance ("ESG") risks, including climate.

The Enterprise Risk Management Working Group ("ERM Working Group") established by the ERM Committee meets monthly to review ongoing projects and reports directly to the ERM Committee. The ERM Working Group is composed of members of management and employees from different regions with various backgrounds and areas of expertise within the insurance industry.

Starr International's core business involves providing appropriate risk management solutions to clients in a responsible manner. Starr International works in partnership with its global network of employees, clients, and communities in seeking to promote an overall culture of integrity and ethical values. Starr International continues to evaluate and address specific focus areas that will align ESG objectives with its business and develop its ESG oversight, and will incorporate the oversight of ESG activities into its overall ERM framework. In evaluating areas that could potentially present exposure for the Company, climate change has been an area of focus for Starr International. The ERM Working Group has been tracking developments in the area of climate change over time. More recently, Starr International has committed to ensuring that it evaluates the impact of climate change not only as it relates to Starr International's insurance products and potential claims activity, but also in connection with other financial and transitional risks posed.

As climate change is a complex issue that cannot be resolved overnight, Starr International intends to continue to monitor developments and do its part to address climate change risk in relation to an overall developing ESG strategy. As the insurance industry's understanding of the implications of ESG-related issues and their practical application continues to evolve, Starr International will continue to actively monitor such matters through its ERM function and individual Board level committees as appropriate. In 2021, Starr International established an ERM Working Group subgroup that is tasked with the responsibility for addressing ESG risk, including evaluating the overall governance structure of ESG within Starr International. This subgroup is comprised of representatives from Starr International's global operations in key functional areas and is responsible for the documentation of relevant ESG-related requirements and completion of assessments evaluating exposure to climate change and other related risks. The work done by the ERM Working Group subgroup continues to inform Starr International's approach to its ESG framework to ensure it is aligned with Starr International's strategy and risk appetite.

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:

The Company has identified various climate-related risks and opportunities which include but are not limited to activities stemming from underwriting, investments, and operations (including energy efficient office equipment, lighting sensors and recycling services to reduce its carbon footprint). In addition, the Company underwrites onshore and offshore wind farms, solar projects, hydroelectric, hydrogen projects and battery and fuel cell operations.

The Company has identified the following items as short term opportunities:

- Continued purchase of reinsurance.
- Enhance internal understanding of climate related risk and assessment of our third parties' understanding of climate risk.
- Assessment of the status of the Company's insureds in regard to their energy transition plans, if any.
- Providing risk management solutions to the Company's insureds related to new energy projects.
- Quantifying the physical, monetary, and qualitative risks of climate change to the Company.
- Quantification of the Company's Scope 1 emissions.

The Company has identified a short-term risk related to increased model uncertainty resulting from severe weather events, including unpredictability related to frequency of significant storms.

A medium term risk the Company is monitoring and has identified relates to a concern that reinsurers may face financial strain due to changing climate conditions and a reliance on reinsurance as a risk transfer mechanism. The Company regularly reviews its exposures and adjusts its catastrophe treaty retentions as necessary.

The Company continues to refine and monitor its short, medium or longer term risks and opportunities.

a. 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.

Please see above.

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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:

The Company has reviewed the potential impact of climate-related risks and opportunities on its business, strategy, and financial planning. The Company has determined that climate change does not currently pose a material underwriting risk for the Company. The most significant potential climate-related risk to the Company would be in providing property coverage for coastal properties, which could be exposed to wind and flood. However, the Company's insurance policies are generally issued with an annual term. In addition, the Company, through its loss control professionals works with its clients to identify potential natural catastrophe hazards and recommends ways in which such hazards may be mitigated. Therefore, the Company will continue to monitor climate change related developments and will consider specific modifications to the terms, pricing, capacity and availability of such policies when the threats from coastal flooding or severe weather events become better understood in terms of scope and impact to the Company. The Company utilizes a sophisticated and insurance industry recognized catastrophe modeling platform to assist in limiting its financial exposure to loss arising from such severe weather events. This tool has evolved over time, with various product enhancements incorporating updated factors including historical catastrophe events. The return periods in the model are five-year forward-looking views of annual hurricane landfall rates, reflecting both historical and projected climate trends over the next five years. Some of the underlying models focus on the relationship between Sea Surface Temperature ("SST") and hurricane landfall statistics, with some of these models factoring in human activities to enhance the predictability of climate changes.

The Company's principal objectives for its investment portfolios are preservation of capital and liquidity commensurate with the requirements of the Company's business operations within formalized and documented investment guidelines and/or investment management agreements with third-party investment management advisors. These third party investment management advisors assist with the management of the Company's fixed income portfolio and other investments that directly support the Company's operations and each have unique monitoring capabilities. The Company has not altered its investment strategy in specific consideration of climate change issues at this time. However, the Company will continue to monitor climate change related developments and will consider specific modifications to the investment strategies as the risks associated with climate change become better understood.

i. **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.**

The Company has committed to ensuring that it evaluates the impact of climate change – not only as it relates to its insurance products and potential claims activity, but also in connection with other financial and transitional risks posed. The Company also supports its clients in the underwriting of various newer forms of technology despite the technology not being fully proven from an insurance risk perspective.

ii. Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

Please see above

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

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:

a. 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.

The Company utilizes its underwriting and engineering expertise to identify potential climate change related risks. Through that risk assessment process, the potential financial implications are identified. Current underwriting protocols will be modified in contemplation of risks when they begin to become material to the underwriting process.

b. Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.

The Company encourages its policyholders to maintain comprehensive risk management and loss mitigation programs that are responsive to the policyholder's assessment of risk. The correlation between insured loss of the type experienced by the Company's insureds and climate change influenced events has not been sufficiently established within the industry to the degree that specific actions can be advocated or recommended at this time.

a. **Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.**

Please see above.

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:

a. Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.

The Company models various potential property exposed risk scenarios and evaluates modeled potential impact to capital. In addition, the Company monitors actual events and makes underwriting adjustments based on those events.

b. Describe the insurer's processes for managing climate-related risks.

The Company models on a stochastic and deterministic basis various potential property exposed risk.

c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.

i. 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:

1. 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.

The Company has incorporated climate change into its ERM disciplines. Senior management of the Company is engaged in the overall ERM process.

2. 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.

The Company manages its exposure to loss arising from wind, fire, flood and earthquake events by controlling total aggregate limits of insured risk in various geographical areas. The Company utilizes sophisticated insurance industry recognized computer modeling to assist in making probable maximum loss projections under various event scenarios. The Company has not utilized any computer modeling specifically based on climate change scenarios at this time. However, the modeling tool utilized has evolved over time, with various product enhancements, incorporating updated factors including historical catastrophe events. The return periods in the model are five-year forward-looking views of annual hurricane landfall rates, reflecting both historical and projected climate trends over the next five years. Some of the underlying models focus on the relationship between SST and hurricane landfall statistics, with some of these models factoring in human activities to enhance the predictability of climate changes. The Company will continue to monitor climate change related developments and believes it will be in a position to address the emergence of climate related risk factors before they present an imminent threat to the Company's underwriting and investment strategies.

3. 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.

Please see above.

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:

a. **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.**

Please see above.

i. 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:

1. **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)**

The Company models on a stochastic probable maximum loss basis and deterministic scenarios as percentage of capital against tolerance limits.

ii. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

While the Company has not defined these Scopes and related risks at this time, the Company is reviewing these considerations and plans to evaluate these Scopes and their potential risks and impacts as part of its climate-related initiatives as part of its broader ESG efforts.

iii. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

The Company models on a stochastic probable maximum loss basis and deterministic scenarios as percentage of capital against tolerance limits. The Company utilizes a computer modeling platform to manage various catastrophe exposures, including windstorm using an industry leading web enabled application at both the account and portfolio level. The modeling tool utilized has evolved over time, with various product enhancements, incorporating updated factors including historical catastrophe events. The return periods in the model are five-year forward-looking views of annual hurricane landfall rates, reflecting both historical and projected climate trends over the next five years. Some of the underlying models focus on the relationship between Sea Surface Temperature and hurricane landfall statistics, with some of these models factoring in human activities to enhance the predictability of climate changes. No targets have been established at this time.