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.

RESPONSE: Climate related disclosure is handled at the management level as the impacts of weather are considered through the normal pricing and underwriting process as well as the Enterprise Risk Management (ERM) process. North Star Mutual does not have publicly stated goals on climate-related risks and opportunities.

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.

RESPONSE: The Board of Directors is responsible for staying informed of climate-related matters and receives a report on risk assessments and opportunities at their regular meetings. The Board considers climate-related issues in conjunction with other all other risk factors when assessing strategy, plans of action, risk management, company performance objectives, etc.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

RESPONSE: Company management reviews all programs at least annually to ascertain trends in both claims and rates, which are impacted by climate related factors. We utilize multiple industry standard catastrophe/computer models and actuarial methods to measure the impact of a changing state of catastrophe risk and we review our concentration reports semi-annually. Sr. Management is responsible for updating and educating the board on any developments as it relates to this assessment of climate-related risks and opportunities throughout the year.

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. *

RESPONSE: We meet with agents and mutual representatives at least annually to discuss matters impacting our business, including the frequency and severity of weather related claims, and we regularly solicit input from these constituencies. We make every effort to assess and reduce our emissions where cost effective. As a mutual insurance company, we are owned by our policyholders. Because our expenses directly affect those policyholders, our duty is to operate to provide the best value to our policyholders. In providing that value, we adopt business processes that reduce our emissions.

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.

RESPONSE: We have identified and implemented short term opportunities that we have determined to be cost effective, including: increasing reliance on digital files and offering electronic delivery of documents to policyholders to reduce paper consumption; continuing updates in our vehicle fleet to maximize efficiencies; and use of virtual machine technology to minimize energy consumption. Additionally, we have embraced recycling when practicable and have installed refillable water stations to reduce waste.

Medium and long term climate related impacts will be assessed through the regular evaluation of trends (including weather) in conjunction with geographic risk concentration and will be reflected over time in the normal pricing and underwriting process. The impact of climate-related risks and opportunities on our business will become clear over time as we continue to evaluate data and patterns begin to emerge.

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.

RESPONSE: We do not insure coastal areas, we are not heavily exposed to wildfire risk, and we write short-tail lines of business to minimize long-term risk exposure. We take climate related exposures and risk into account in the pricing and underwriting process and the company reduces potential exposure through purchasing reinsurance.

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: We regularly monitor our risk concentration and the diversity of our exposure to mitigate any potential weather related impact. We carry more than our modeled "one in a thousand year event" reinsurance coverage. We do not currently estimate the effects of a 2 degree Celsius change in our modeling.

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. *

RESPONSE: The purpose of any underwriting program is to write the best risks for the appropriate rate. This encourages our policyholders to maintain and build quality structures that are able to withstand environmental factors. Our policyholders have a selection of companies from which they choose to procure insurance. We design our underwriting to reward the best risks with the best rates in an effort to attract profitable business, which ultimately benefits all of our policyholders. As a mutual insurance company, we are owned by our policyholders. Because our investment earnings directly affect those policyholders, we have a duty to provide the best value on investments to our policyholders. Therefore, while climate-related risks may influence the analysis, we base our investment portfolio on an overall analysis of the anticipated return on investment, the safety of the investment, and any needs for liquidity.

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. *

RESPONSE: We review all of our programs at least annually and monitor the industry to ascertain trends in both claims and rates. We utilize multiple industry standard catastrophe/computer models and actuarial methods to measure the impact of a changing state of catastrophe risk. We review our concentration reports semi-annually and we monitor trends in storm frequency and severity.

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

RESPONSE: We analyze and assess risks and opportunities using recognized catastrophic modeling resources. We carry more than our modeled "one in a thousand year event" reinsurance coverage. Carrying extensive reinsurance allows us to be nimble concerning claim and rate responsiveness. We continually make or consider modifications to our property business in response to heightened levels of catastrophes experienced in the Midwest in the past several years, but many of these decisions are independent of the Company's assessment of climate change. We do not have direct hurricane exposure in the states where we do business and we do not have heavy wildfire exposure. The impact of climate change on the number and severity of losses will ultimately be reflected in the normal pricing and underwriting process. The investment portfolio of the company is designed to provide liquidity if necessary due to frequency of storms. This is in addition to our responsive reinsurance program, which provides stability and liquidity to the Company.

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: We use multiple industry-standard and proprietary deterministic and probabilistic catastrophe/computer models to help manage our risks. Our vendors providing these models regularly monitor how various atmospheric conditions affect all perils for consideration in regular model updates and enhancements. These models enable us to stress test various historic or hypothetical weather scenarios, guide us in our reinsurance decision making, assist with reviewing our concentration of risk, and inform the ERM process.

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.

RESPONSE: As described above, we use industry standard and propriety probabilistic models to stress test historic or hypothetical weather scenarios to guide our decision making processes as it relates to reinsurance, the pricing and underwriting process, and the ERM process.

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.

RESPONSE: The company has not adopted metrics specific to assessment of climate-related risks and opportunities. We regularly discuss environmental weather trends and events with constituents and reinsurers. We also assess catastrophe modeling data and purchase "one in a thousand year event" reinsurance coverage.

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

RESPONSE: The company has not developed metrics to measure or assess greenhouse gas emissions.

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

RESPONSE: As discussed above, the Company has not adopted metrics specific to assessment of climate-related risks and opportunities.

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