

# 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.

*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.*

The board of directors of KEWA Financial Inc. ("KEWA"), the ultimate parent of Indemnity National Insurance Company ("INIC" and collectively with KEWA, the "**Company**"), formally approved an enhanced Enterprise Risk Management Framework and Enterprise Risk Management Policy (collectively, the "**ERM Framework**"). The board of directors of KEWA reviews the ERM Framework annually and updates it as needed to reflect changes in risk objectives for the company. Pursuant to the ERM Framework, senior management of both KEWA and INIC are responsible for identifying, assessing, measuring, monitoring, and responding to all enterprise-wide risks. On a quarterly basis, the risk-data compiled and assessed by senior management is presented to both the Audit and Risk Committee and the full board of directors of the Company. Although the ERM Framework is not exclusively designed to address climate-specific risks, any applicable climate-related risks will be addressed through the ERM Framework.

A reduction in reinsurance cost, availability, and/or capacity is the primary climate-related risk the INIC faces. If INIC's reinsurance partners suffer outsized losses as a result of climate change, INIC may be unable to secure the capacity it desires to meet its business objectives on economic terms.

The Company does not have any publicly-stated goals on climate related risks and opportunities.

#### 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. \*

*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.

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

INIC has two primary lines of insurance business: (i) surety; and (ii) excess commercial casualty. INIC does not issue property insurance coverage and, therefore, physical climate-related risks are less material to INIC's business than to that of many other insurers.

Regardless, INIC mitigates its risk, including climate risks, through reinsurance coverage and through continual efforts to diversify both the geographic and sectorial footprint of its insurance offerings. Potential climate-related risks and opportunities are also routinely considered by INIC as part of its standard underwriting processes.

## 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. \*

*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. \*

*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.

As noted in section 1 above, INIC's climate-related risks are addressed through the Company's general ERM Framework. INIC mitigates its risk, including climate risks, through reinsurance coverage and through continual efforts to diversify both the geographic and sectorial footprint of its insurance offerings.

## 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.*

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

The Company's ERM Framework includes stress testing with catastrophe-based modeling. Stress testing results are provided to the Audit and Risk Committee on a quarterly basis. At present, the Company has not developed any other specific metrics or targets specifically tied to climate risk.