

NAIC # 12831; 022608

Company Name: State National Insurance Company, Inc.; National Specialty Insurance Company

Group #: 0785

Line of Business: Property & Casualty

Group Filing: N

Closed ended questions directly correspond to the narrative, allowing for explanation and qualification of the yes/no answers.

Closed ended questions are voluntary for reporting year 2022.

Governance – narrative

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.

SNC does not have 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.

SNC is keenly aware of the key risk elements associated with the Company's unique business model. The organization has a well-developed Enterprise Risk Management (ERM) program that identifies the "risk level" and possible monetary loss level assuming occurrence for the group's Insolvency Risk, Market Risk, Underwriting Risk, Operational Risk, and Internal Control/Financial Reporting. Specific parameters and guidelines have been established to mitigate these risks and other associated risks within each of these areas. Management is also responsible for addressing the correlation of risk in totality associated with these different risk areas. The company does not consider there to be any current risks driven by changes in climate related developments which would present a significant impact to the company.

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.

SNC's approach to risk is comprehensive, with responsibility distributed, addressed/discussed at every level of the company. Our ERM program is comprised of executive, senior management, management, and initial level personnel in an effort to receive input from various perspectives. Senior management is responsible for oversight of managing the climate-related financial risks. The mitigation plans are approved by the executive board.

Governance – closed ended questions answered in addition to the narrative

- Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y/N) N
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y/N) Y
- Does management have a role in assessing climate-related risks and opportunities? (Y/N) Y
- Does management have a role in managing climate-related risks and opportunities? (Y/N) Y

Strategy – narrative

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.*_i

The Company's business model does not lend itself to this type of activity. The majority of the business written is produced through program managers and is 100% ceded to unaffiliated reinsurers. The business retained by the company is creditor-placed coverage for automobiles which would result in little climate risk to the company.

- 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 1-5years as short term, 5-10years as medium term, and 10-30years as long term.

The Company's business model does not lend itself to this type of activity. The majority of the business written is produced through program managers and is 100% ceded to unaffiliated

reinsurers. The business retained by the company is creditor-placed coverage for automobiles which would result in little climate risk to the company.

B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.

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:

- 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's business model does not lend itself to this type of activity. The majority of the business written is produced through program managers and is 100% ceded to unaffiliated reinsurers. The business retained by the company is creditor-placed coverage for automobiles which would result in little climate risk to the company.

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

The Company's business model does not lend itself to this type of activity. The majority of the business written is produced through program managers and is 100% ceded to unaffiliated reinsurers. The business retained by the company is creditor-placed coverage for automobiles which would result in little climate risk to the company.

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

The Company does not currently have a strategy regarding a 2 degree Celsius or lower scenario.

Strategy - closed ended questions answered in addition to the narrative

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N) * N
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (Y/N) N
- Does the insurer make investments to support the transition to a low carbon economy? (Y/N) N
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)* N

Risk Management – narrative

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.*

The Company's business model does not lend itself to this type of activity. The majority of the business written is produced through program managers and is 100% ceded to unaffiliated reinsurers. The business retained by the company is creditor-placed coverage for automobiles which would result in little climate risk to the company.

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

The Company's business model does not lend itself to this type of activity. The majority of the business written is produced through program managers and is 100% ceded to unaffiliated reinsurers. The business retained by the company is creditor-placed coverage for automobiles which would result in little climate risk to the company.

- 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.*

SNC has not modified its written investment policy to address climate change. SNC employs a conservative investment strategy designed to preserve capital, limit market risk, and maximize liquidity and flexibility for the payment of claims. The portfolio comprises primarily short duration fixed income securities of high credit quality. Due to the conservative nature of SNC's investment strategy, we consider our portfolio to be low risk from a climate change perspective. We routinely review our investment policy and any risks associated therewith, which would include climate change risks if they affect the portfolio. SNC does not currently anticipate any effect on its portfolio due to climate change.

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

SNC is keenly aware of the key risk elements associated with the Company's unique business model. The organization has a well-developed ERM program that identifies the "risk level" and possible monetary loss level assuming occurrence for the group's Insolvency Risk, Market Risk, Underwriting Risk, Operational Risk, and Internal Control/Financial Reporting. Specific parameters and guidelines have been established to mitigate these risks and other associated risks within each of these areas. Management is also responsible for addressing the correlation of risk in totality

associated with these different risk areas. The company does not consider there to be any current risks driven by changes in climate related developments which would present a significant impact 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.

Climate-related risks are addressed in our general ERM process. This process is completed at least annually, and as emerging risks arise.

- 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.

SNC is keenly aware of the key risk elements associated with the Company's unique business model. The organization has a well-developed ERM program that identifies the "risk level" and possible monetary loss level assuming occurrence for the group's Insolvency Risk, Market Risk, Underwriting Risk, Operational Risk, and Internal Control/Financial Reporting. Specific parameters and guidelines have been established to mitigate these risks and other associated risks within each of these areas. Management is also responsible for addressing the correlation of risk in totality associated with these different risk areas. The company does not consider there to be any current risks driven by changes in climate related developments which would present a significant impact to the company.

Risk Management – closed ended questions answered in addition to the narrative

- Does the insurer have a process for identifying climate-related risks? (Y/N) N
 - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N)
- Does the insurer have a process for assessing climate-related risks? (Y/N) N
 - If yes, does the process include an assessment of financial implications? (Y/N)
- Does the insurer have a process for managing climate-related risks? (Y/N) N
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)* Not Applicable
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)* N
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)* N

- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N) N
- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N) N

Metrics and Targets – narrative

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)

The Company utilizes its ERM process to identify key risks to the company. The company does not consider there to be any current risks driven by changes in climate-related developments which would present a significant impact to the company. The company generally does not retain catastrophe risks.

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

The Company utilizes its ERM process to identify key risks to the company. The company does not consider there to be any current risks driven by changes in climate-related developments which would present a significant impact to the company.

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

The Company utilizes its ERM process to identify key risks to the company. The company does not consider there to be any current risks driven by changes in climate-related developments which would present a significant impact to the company.

Metrics and Targets – closed ended questions answered in addition to the narrative

- Does the insurer use catastrophe modeling to manage your climate-related risks? (Y/N) N

- Does the insurer use metrics to assess and monitor climate-related risks? (Y/N) N
- Does the insurer have targets to manage climate-related risks and opportunities? (Y/N) N
- Does the insurer have targets to manage climate-related performance? (Y/N) N