

2023 CA Climate Survey

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.**
- **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.**

National Mortgage Insurance Corporation (NMIC or the Company) is a mortgage insurance company and a wholly owned subsidiary of NMI Holdings, Inc. (Nasdaq: NMIH). We are a monoline mortgage insurer that solely insures mortgage lenders or investors against the risk of default by borrowers, and do not insure for climate-related risks. At this time, we have not identified any publicly stated goals on climate-related risks and opportunities. We incorporate climate-related risks into our existing risk management framework and governance structure at the group/NMIH level, which involves the NMIH board of directors, board committees and the management team. NMIH's risk management program is designed to reasonably identify, monitor and mitigate relevant risks (including climate-related risks) that affect the whole organization.

The NMIH board implements its oversight of corporate governance through delegation to our board-level Governance and Nominating Committee, which is also responsible for oversight of our environmental, social and governance (ESG) efforts and initiatives that encompass climate-related risks and opportunities. In exercising its duty of oversight of governance, the Governance and Nominating Committee is assisted by the following: the board-level Risk Committee (Board Risk Committee) that considers enterprise-level risks (including climate) that could materially impact the group throughout the year, and also oversees how the management team manages key risks and exposures; the board-level Audit Committee (Board Audit Committee) that oversees the performance of the company's internal control environment, our system of disclosure controls, and our compliance with legal and regulatory requirements; and the ESG Committee which assists our senior leadership in implementing and monitoring the overall ESG program in our Company, including the review and consideration of climate change in our corporate strategy, and to provide constructive and practical guidance over our ESG practices, including climate-related efforts. The board also has oversight responsibility over how the management team addresses risks (including climate) facing our business to the extent they are determined to be material in support of our long-term strategies and objectives.

At the management level, our management team is charged with identifying and managing risks and opportunities (including those that are climate-related) facing our business and operations. Our management team also implements its risk oversight function (including climate risk) through the Management Enterprise Risk Committee (ERM Committee), which consists of our senior leadership and is chaired by our head of internal audit, and, among other purposes: facilitates risk discussions and monitors the implementation of effective risk management practices; assists risk owners with identifying, defining and monitoring risk exposures; and discusses or sets certain risk related policies for management to implement. The head of our ERM Committee provides updates to our CEO, Executive Chairman, and Chair of the Board Risk Committee as needed or as requested, in addition to quarterly updates to the Board Risk Committee.

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

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.*
- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.*
 1. *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.
- 2. *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.
- 3. *Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.*

Currently, we do not believe the actual impacts of climate-related risks and opportunities on our business, strategy, and financial planning are material. We are a monoline mortgage insurer that solely insures residential mortgage loans against the risk of default by borrowers. We do not directly insure climate-related risks. Our insurance policies also generally exclude losses resulting from physical damage to the properties securing the loans we insure. Accordingly, climate-related risks such as flood, wildfire, wind, earthquake, etc., do not directly cause losses to our Company and are not seen as direct risks to our business. The Company has considered the materiality of climate-related risks, the policy limitations contained in our insurance policies, and the nature of the insurance products we currently offer and expect to offer in the future. These considerations have taken place at our Management ERM Committee, our ESG Committee, our Management Executive Committee, and between Management and our Board. Climate risk is a potential emerging risk and will continue to be. If climate-related risks do become material to our business, we would engage the above parties and other outside parties and advisors, as necessary, to formulate additional plans, strategies, and monitoring mechanisms to provide appropriate response, oversight and mitigation strategies. Our sustainability report is regularly updated and discusses, among other things, how we manage ESG-related topic areas.

Even though we do not expect the potential impacts of climate-related risks and opportunities on our business, strategy and financial performance to become material in the future, we will continue to monitor this risk. Nevertheless, we do incorporate climate into our existing governance and risk

management discussions at the group level, which involves our management, our board and board committees. NMIH's risk management program is designed to identify, monitor and reasonably mitigate relevant risks (including climate risks to the extent applicable) that affect the whole organization. To further prepare and bolster our business for climate-related risks, we also maintain reinsurance treaties that cover potential credit losses, a broad insurance program, including coverage for director and officer liability, errors and omissions and cyber risk, as well as business continuity and disaster recovery programs.

Additionally, NMI has added climate risk to the Company's enterprise risk framework and considers the possibility that climate risk could be material at some point in the long-term future to prepare the business for the risks of climate change. Having added the risk, NMI has so far carried out the following:

1. Continued to document those risks which we deem to be most critical to the business
2. Identified a risk owner with direct responsibility for risk oversight
3. Documented risk indicators and risk management strategies relevant to climate change
4. Initiated a process to periodically assess climate change as an evolving risk
5. Communicated the risk and all corresponding risk management activities to the Board Risk Committee for oversight
6. Implemented a flexible risk management strategy that can be adapted should climate change materialize, accelerate, or decelerate

As part of the Company's risk management framework, the Company closely monitors loss trends, including those caused by weather-related events and natural disasters. The Company's key business risks are communicated to and evaluated by its senior leadership.

We operate our business consistent with supporting the transition to a lower carbon economy. As a financial services company, we have a limited environmental footprint, and we strive to minimize the impact of our operations on the environment. We have reduced travel by integrating video and audio conferencing and virtual meetings into our business practices. We outsource our production data center to a 100% green energy data center provider, decreasing our overall carbon footprint by leveraging the economies-of-scale and environmental efficiencies of our third-party, cloud-based data center provider. Our headquarters (and only corporate office location) is leased and in a LEED Gold-certified building that includes eco-friendly features such as LED lighting, motion-sensor lighting, Energy Star appliances, temperature-controlled air and water heating, water efficient plumbing fixtures and electric car charging stations. The building also received the Institute of Real Estate Management (IREM) Certified Sustainable Property designation by following stringent requirements to conserve electricity, water and gas. We have also adopted sustainable practices to support recycling and composting. Our use of paper has been decreased through a combination of reducing our printing requirements and lowering our kitchen paper product needs through initiatives such as providing employees with reusable cups. We have increased the use of recycled and recyclable materials in our operations to further support an efficient environmental footprint. To mitigate our operational waste footprint, we have regular e-waste pickup and responsible disposal from a third-party vendor as well as routine office furniture donations. At events in which we participate, we support paper-free attendance where materials are circulated and provided via QR codes instead of traditional printing. We continue to evaluate other enterprise-wide changes to further decrease the environmental impact of our operations.

Regarding the management of our investment portfolio, we leverage a fully outsourced model, partnering with a third-party investment manager for our core portfolio. We rely on our investment

manager to monitor a broad range of financially material risks associated with our investments, including climate-related risks. Our investment manager has developed processes to evaluate and score issuers of securities in our portfolio based on certain climate-related risks (and other ESG factors), which we expect over time will support our development of a responsible investing framework.

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)
- 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)
- Does the insurer make investments to support the transition to a low carbon economy? (Y/N)
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/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.
- 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.

At both NMIH and the Company, risk management is a critical success factor. NMIC has an established enterprise risk management (ERM) process that oversees the Company's systems of controls and processes to mitigate or monitor the most impactful business risks. The list of risks identified in our process has been developed over a period of years, and includes internal and external risks, with impacts spanning across the Company. Climate-related risks are addressed through our enterprise-risk management process along with other risks we face, and not as a separate process. On an annual basis, the Company completes an "enterprise risk assessment" to identify new or reassess existing risks as needed. This risk assessment assigns (or confirms the assignment of) executive ownership of each risk and refines or documents various risk related factors such as the following: key risk indicators, risk mitigation strategies, risk limits, and risk tolerance (e.g., financial impact). On a quarterly basis, the Company refreshes each risk by meeting with each respective executive owner and focuses on the risk severity as: (i) increasing, (ii) decreasing, or (iii) remaining static. As new risks (among them, climate change-related risks) emerge, they are added to the enterprise risk listing, assigned an executive owner, reviewed quarterly, with summary updates provided to the Management ERM Committee as well as the Board Risk Committee on at least a quarterly basis. Tactical management of each risk is assigned to the business (e.g.,

first line), but enterprise risks merit additional oversight and monitoring which is fulfilled through the standard reporting relationships of owners, additional oversight through Management ERM Committee, and Board level oversight through the Board Risk Committee.

Risk analysis is used in projecting loss reserves, cash flow, capital requirements, and our overall business strategy over time. We also regularly monitor trends in national and regional housing markets and run stress tests based on major home price declines (without explicitly specifying the exact source of the downturn). Then we develop our loss estimates based on a number of risk factors which may include climate change and/or the consequences thereof.

A major risk management focus is on predicting the size and scope of material risks/events to our business caused by any source, climate-related or not, and preparing for such risks/events. We mitigate our exposure to certain risks, directly and indirectly through underwriting guidelines and pricing strategies for insurance we sell, maintaining strong reserves and significant capital to protect us from unexpected events and in case of protracted periods of stress from any source. As discussed above, since the impacts of climate-related risks and opportunities on our businesses, strategy, and financial performance are not material at this time, we do not utilize different climate scenarios to analyze our underwriting risks.

We may also document key risk indicators (which may include specific factors that may impact certain Metropolitan and Micropolitan Statistical Areas (MSAs)), where applicable, to identify risk factors in the housing market, the mortgage market, and the greater macroeconomy and to establish criteria to elicit management responses. We perform analysis at the MSA level to identify the territorial scope of home price changes that are caused by any reason, among them climate. In addition, we publish a quarterly “National MI Economic Market Snapshot” on identified trends that could impact future risks of the housing and mortgage industry. As noted above, we have no direct exposure for insuring residential mortgages whose underlying assets may be damaged by flood, wildfire, wind, earthquake, and other climate-related risks. Thus, we do not currently model risk based on direct loss caused by climate change.

As noted above, our insurance policies generally exclude losses resulting from physical damage to the properties securing the loans we insure, climate-related risks such a flood, wildfire, wind, earthquake, etc., do not directly cause losses to our Company. Climate risks may indirectly affect our business in the future; however, we do not believe those risks to be material at this time. One area of risk management focus is predicting defaults and claim payments. A major determinant of losses are defaults that do not cure. Historically, our losses are based on defaults that proceed to our receipt of a claim request by one of our insureds. These uncured defaults are generally caused by job loss or catastrophic personal events (e.g., death of borrower). While indirect and not measurable at this time, climate-related risks could lead to more frequent climate-change related natural disasters or catastrophes that could, in turn, lead to increased job loss, home price declines, or uninhabitability of geographic areas where we insure loans.

Should one or more climate-related risks develop and become material, we expect that we would have built an appropriate risk management response in the preceding period. This response would take into consideration risk identification, risk ownership, risk indicators, risk management strategies, and risk monitoring responsibilities amongst those with primary responsibility (risk owners), oversight responsibility (Management), and Board oversight (board and board committees).

Regarding the management of our investment portfolio, we leverage a fully outsourced model, partnering with a third-party investment manager for our core portfolio. We rely on our investment

manager to monitor a broad range of financially material risks associated with our investments, including climate-related risks.

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

- Does the insurer have a process for identifying climate-related risks? (Y/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)
 - 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)
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)*
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)*
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)*
- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N)
- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/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)
- 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.*

We do not insure climate-related risks. Our insurance policies also generally exclude losses resulting from physical damage to the properties securing the loans we insure. Therefore, climate-related risks such a flood, wildfire, wind, earthquake, etc., do not directly cause losses to our Company and are not direct risks to our business. Accordingly, we do not use catastrophe modeling to manage climate-related risks to our business. The metrics and targets used to assess and manage relevant collateralized risks and opportunities are also not material to our business at the present time.

As discussed above, we may document key risk indicators (which may include factors that may impact certain Metropolitan and Micropolitan Statistical Areas (MSAs)), where applicable, to identify risk factors in the housing market, the mortgage market, and the greater macroeconomy and to establish criteria to elicit management responses. We perform analysis at the MSA level to identify the territorial scope of home price changes that are caused by any reason, among them climate. In addition, we publish a quarterly “National MI Economic Market Snapshot” on identified trends that could impact future risks of the housing and mortgage industry. We strive to be energy efficient across our facilities (and indirectly through our vendors), utilizing energy management systems intended to reduce energy use and greenhouse gas (GHG) emissions. We also measure our Scope 1 and Scope 2 GHG emissions and disclose the results in our sustainability report which can be accessed from our website. As noted above, we have no direct exposure for insuring residential mortgages whose underlying assets may be damaged by flood, wildfire, wind, earthquake, and other climate-related risks. Thus, we do not currently model risk based on direct loss caused by climate change. To date, climate risk specific scenarios have not been modeled. If in the future we feel climate-related risks start to pose significant material risks to our business and the Company, we would model accordingly.

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**)

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