NAIC CLIMATE RISK DISCLOSURE SURVEY

ZENITH INSURANCE COMPANY - NAIC 13269
ZNAT INSURANCE COMPANY - NAIC 30120

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.

GOVERNANCE RESPONSE:

At Zenith Insurance Company and its wholly-owned subsidiary, ZNAT Insurance Company (collectively "Zenith"), we are aware of the potential risks associated with climate change and that is why we take a long-term approach to how we manage and monitor our exposure. Governance of climate-related risks and opportunities is a shared responsibility between Zenith and Zenith's ultimate parent company, Fairfax Financial Holdings Limited ("Fairfax").

Zenith's Executive Leadership team has oversight of Zenith's overall environmental, social and governance ("ESG") approach, including climate-related risks and opportunities. It reviews ESG matters each year and participate in a formal group-level committee that includes all of Fairfax's operating companies. Zenith's information rolls up into an ESG Report published by Fairfax.

The Executive Leadership team led by the CEO assesses climate-related risks and opportunities through a combination of careful monitoring of exposures, underwriting controls, and reinsurance. Zenith's General Counsel oversees functions responsible for ESG matters.

Fairfax has established a global risk committee. The committee is chaired by Fairfax's President & Chief Operating Officer and includes senior officers of Fairfax's subsidiary insurance entities, including Zenith. The purpose of the committee is to provide clear and consistent monitoring, measuring, modelling and aggregating of all risks across the Fairfax enterprise and for the individual companies. Environmental risk is viewed as a category of business risk, and it is part of the overall decision-making process when assessing an investment.

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.

STRATEGY RESPONSE:

Zenith is a national property-casualty insurer that is admitted in 50 states and the District of Columbia. Workers' compensation and employer's liability insurance is our primary line of business. In addition to workers' compensation and employer's liability insurance, Zenith also writes the following lines of insurance in California for risks in the farm and agriculture industries: commercial auto, commercial general liability, commercial multi-peril and commercial property.

We believe that an extended drought or significant flooding in California is an ongoing, climate-related risk with potential adverse consequences for California agriculture. More than half of our California workers' compensation premium is derived from within the agricultural industry. Periodically, as needed to address any emerging risks, we evaluate the impact of a stress scenario in which we lose 50% of our agriculture-based workers' compensation premiums due to drought or floods at the same time as competition reduces our writings elsewhere by 20%. The last stress test scenario did not result in an adverse change in the company's AM Best capital adequacy ratio, the measure we use to assess capital adequacy. Zenith's property lines of business are exposed to the variabilities of climate change. The potential for natural disaster/weather-related perils is factored into pricing and underwriting practices. Additionally, Zenith uses reinsurance to manages its climate change risks in its property business. Overall, Zenith believes its short-term and mid-term climate-related risks to be manageable.

Zenith engages its customers on climate-related risks in various ways. Potential workers' compensation-related impacts to customers from climate change influenced events are included in the extensive claims, medical, and safety and health services which are provided to customers in mitigating their individual exposures. Zenith provides numerous resources to its customers, including information on its website, publications, and on-site visits, and identifies precautions that can be taken to avoid situations that can lead to occupational accidents and injuries.

Zenith presents the advantages of solar and wind power to assist in mitigating overall energy costs to its commercial property-casualty customers. Zenith continuously investigates if a facility has exposure to weather-related hazards. The importance of disaster planning and recovery programs is emphasized given its role in large natural disasters, such as earthquakes, windstorms, tornadoes, floods, and wildfires. Zenith also provides industry updates to its insureds on sustainability and practices relating to such areas as conservation and the management of soil and water. This is especially relevant to its California agriculture policyholders. In addition, we are active supporters of organizations such as the California Workers Compensation Institute, the Workers Compensation Research Institute, the California Foundation for Agriculture in the Classroom, California Future Farmers of America, California Fresh Fruit Association and the California Ag Leadership Foundation.

Regarding investments, environmental risk is viewed as a category of business risk, and it is part of the overall decision-making process when assessing an investment. Zenith's investment objectives are (a) to invest on a long-term basis in accordance with applicable insurance regulatory guidelines; and (b) to ensure preservation of invested capital for policyholder protection, always providing sufficient liquidity for the payment of claims and other policy obligations. Investment guidelines require all investments to be made using the long-term value investing approach by investing in securities of companies and other entities at prices below their underlying long-term values to protect the Company's capital from loss and earn income over time and provide operating income as needed. Environmental, social and governance issues have become factors in the investment analysis and decision-making process. Deficiencies or excessive risk in these areas could lead to the rejection of investment opportunities or the sale of existing positions. In some cases, climate change or other environmental issues will be a risk to a business – perhaps as products are phased out, capital expenditures increase to comply with stricter environmental laws, carbon taxes reduce demand, new technology creates substitutes for a company's high carbon footprint products, etc. A large proportion of our investment portfolio is held in short-term securities or government bonds. These investment classes typically tend to have less exposure to environmental, social and governance issues.

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.

RISK MANAGEMENT RESPONSE:

Climate change exposure is incorporated into Zenith's overall risk management policies. Zenith's workers' compensation insurance business is concentrated in California and Florida and Zenith's commercial property and casualty insurance business is entirely concentrated in California. California and Florida are states that are exposed to climate and environmental changes, natural perils such as earthquake, hurricanes, floods and availability of water supplies, along with the possibility of pandemics and terrorist acts. Accordingly, Zenith could suffer losses as a result of catastrophic events in these states. Zenith's catastrophe management strategies are designed to mitigate its exposure. Through a combination of reinsurance, underwriting controls and careful tracking of exposures, supported by technology, Zenith is focused on effectively managing risks.

For workers' compensation insurance, Zenith carefully monitors the number of covered lives by zip code to avoid a concentration of workers in any small geographic area. Zenith limits individual underwriters' ability to insure any risk with a significant number of covered lives. Over half of Zenith's California workers' compensation business is in California agriculture, which by its nature does not have large number of workers in individual buildings, but could be impacted by climate and environmental changes. Risk management for potential workers' compensation-related impacts to customers include extensive claims, medical, and safety and health services which are provided to customers in mitigating their individual exposures. For commercial property and casualty insurance, Zenith implements similar measures. Zenith carefully monitors property aggregation and proactively reaches out to potentially affected insureds during ongoing catastrophes. Zenith limits individual underwriters' authority and proactively oversees catastrophe management. Zenith evaluates the effects of climate and climate change to operations and facilities through loss control inspections.

In addition, Zenith purchases excess of loss catastrophe reinsurance up to $150 million for its workers' compensation losses and excess of loss catastrophe reinsurance up to $30 million for its property-casualty losses.

Climate change is not specifically addressed in Zenith's investment policy. Please refer to Question 2 Strategy for further information regarding our investment policies.

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.

RESPONSE FOR METRICS AND TARGETS:

Since workers' compensation is our primary line of business, our exposure to climate-related risks is reduced. Nevertheless, we do measure our exposure to weather-related catastrophic events each year through catastrophe modelling and periodically review the estimated probable maximum pre-tax loss for such exposures.

Zenith estimates that its 2023 greenhouse gas emissions consisted of 962.79 tonnes, CO_2e in Scope 1 emissions and 3,023.63 tonnes, CO_2e in Scope 2 emissions. Zenith could not estimate its Scope 3 greenhouse gas emissions data in a materially accurate or complete manner as of this date. We plan to track emission calculations according to the Greenhouse Gas Protocol and hope to report such calculations in the following year. As an insurer, Zenith's operations are primarily conducted in office settings, most of which are leased. We strive to reduce our emissions in our own operations. For example, at our corporate headquarters, we installed a solar-powered electrical system. The system generates just over one gigawatt of energy at peak performance. Zenith expects to offset 50% of our current electricity bill using solar power and the project will – over its expected 25-year lifespan – reduce total carbon output by an estimated 62 million pounds (compared to continued use of current sources of electricity).

Following the COVID pandemic, most Zenith employees work-from-home four days a week, which significantly reduces emissions related to commuting and will reduce office space over time.

Zenith continues to operate in a paperless environment and is working toward using more cloud storage solutions to reduce our dependence on data centers.