Penn National Insurance
Two North Second Street
P.O. Box 2361
Harrisburg, PA 17105-2361
800-388-4764 phone
717-234-4941 phone

PENN NATIONAL INSURANCE
Feel Secure®

Climate Risk Disclosure Survey
August 29, 2024

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.

Penn National Insurance is a regional, multi-line property/casualty insurance group writing a full line of products through approximately 1300 independent agency operations. The insurance group includes Pennsylvania National Mutual Casualty Insurance Company (Mutual), a Pennsylvania domiciled mutual property/casualty insurance company; Penn National Security Insurance Company (Security), a Pennsylvania domiciled stock insurance company; Founders Insurance Company (Founders), a New Jersey domiciled stock insurance company; and Partners Mutual Insurance Company (Partners), a Wisconsin domiciled mutual insurance company; collectively referred to as the Company for the purposes of this disclosure only.

The Company's climate-related disclosure is handled at the group level. The Company generally oversees, assesses and manages climate-related risks and opportunities on a group-wide basis. However, the Company's corporate risk and actuarial departments provide modeling and analysis which are based, in part, on geographic regions with varying climate risks. As such, the modeling and analysis may diverge at the entity level to the extent of the entities' geographic variance.

Through its Enterprise Risk Management (ERM) program, the Company assesses and manages risk, including climate-related risks, at the group level. The Company's ERM process is a comprehensive approach, coordinating the risk management activities of the Company to ensure that risk and capital management considerations permeate all aspects of corporate decision making.

The Company's executive management team is ultimately responsible for assessing and managing climate-related risks and opportunities. The Company addresses the active and emerging risk components of climate-related risk through its risk management framework. Through this process, the Company has identified the active climate-related risks of climate change-physical risk and climate change-transition risk and the emerging climate-related risk of climate change-liability risk. (See also Risk Management section.)

As part of the Company's ERM framework, the Board of Directors has oversight of specific risks identified as material through the ERM process. Two of the four material risks subject to board oversight, natural catastrophe and equity, are particularly sensitive to the amplifying impacts of climate-related risks. The Enterprise Risk Oversight Committee and Finance Committee each receive regular updates on the natural catastrophe and equity risks. The Governance Committee has oversight accountability for the Company's approach to environmental, social and governance (ESG) issues.

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.

The Company is keenly aware of the importance of the topic of climate change for the industry, its policyholders and for itself as an organization. The Company's representatives regularly evaluate issues surrounding climate change in a variety of ways. Employees take advantage of educational programs and perform independent research by reviewing and evaluating articles in trade publications on the topic of climate change. Employees monitor emerging issues, legislation and developments and distribute relevant information among Company personnel, including management. The Company monitors the active and emerging components of climate-related risk through its ERM process.

As such, Company personnel monitor, evaluate and discuss issues related to climate change through both informal and formal methods. If any of these activities suggest that further consultation or communication with others would be of benefit, employees are encouraged to facilitate those consultations or communications with those constituencies. For example, the Company engages in discussions with regulators and legislators on the topic and communicates with agents and insureds concerning preparation for, and response to, severe weather.

• Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.

The Company assesses and reduces or mitigates emissions in its operations. The Company's emissions mitigation and reduction plans are focused primarily on the operation of the physical building. For example:

- A comprehensive recycling program is in place. This program is periodically reassessed with the waste management provider to ensure the correct recyclables are collected.

- Through the replacement of lighting fixtures and bulbs, electrical consumption and the number of bulbs has been reduced significantly.
- Changes have been made to the building's HVAC system to improve operating efficiency.
- When replacing existing carpet, all old carpet was recycled and not placed into any landfill.
- Water restrictors exist on all water tabs as a water conservation endeavor.
- Existing traditional electric based hot water heaters tanks are replaced with on-demand hot water heaters as the existing units fail.
- The Company maintains a cross-functional team consisting of members of the Information Technology and Corporate Services/Facilities divisions. This team, in addition to other goals, focuses on the reduction/appropriate use of electricity within our Data Center.
- The Company replaced the roof on its home office facility in 2015 utilizing cool roof technology that reduced electrical consumption within the building.
- In 2021, rooftop HVAC units were replaced with more efficient variable speed capabilities that reduce electrical consumption and use currently environmentally friendly refrigerants.
- Building heat pumps are replaced as they fail with units that use currently environmentally friendly refrigerants. Refrigerant from old end of life units is captured in accordance with established EPA guidance and either re-used or turned in to authorized collection centers.
- A factor when leasing corporate vehicles is fuel economy to minimize climate impact. The use of leased fossil fueled (FF) vehicles is continually re-evaluated as well as the viability of EVs to determine when a transition may occur to eliminate leased FF vehicles. In addition, we continually evaluate the need to replace any FF vehicles when no longer needed thereby reducing the number of vehicles in the fleet.

Furthermore, when considering purchases of supplies or utilization of vendors, the Company considers mitigation/reduction of emissions as an important component in the decision-making process.

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 climate-related risks and opportunities the insurer has identified and evaluated are categorized by type of risk and not by short, medium or long term. These risks are:

- Climate change – liability risk - the risk that casualty losses could emerge in the future for risks generating fossil fuel or contributing to greenhouse gas emissions. As a small commercial regional writer, we are not exposed to casualty losses arising from fossil fuel generating business.
- Climate change – transition risk - risks arising from disruptions and shifts associated with the transition to a low-carbon economy, which may affect the value of assets or the costs of doing business. Exposures to more carbon intensive sectors may lead to market risk due to a change in the value, trend, or volatility. The most significant risk relates to unknown financial impact to companies in which we invest as the economy de-carbonizes. This is a risk that is considered to be emerged and is no longer viewed in the short term.
- Climate change – physical - risks arising from increased damage and losses from physical phenomena associated with climate-related trends and events. In the short and medium terms, it is evaluated with the natural catastrophe risk. As the impact in the long term is

unknown, the mitigations include the management of the property portfolio through concentration analysis, model use and reinsurance structures.

(See also Risk Management section.)

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.

Managing climate change poses a risk to our business and to our world. Climate change tends to create severe weather. Severe weather threatens lives, disrupts communities and strains resources. We are keenly aware of the importance of mitigating climate change for our industry, our policyholders and ourselves, and we are committed to reducing the impact of climate change whenever practicable. As an insurer, our core business and its strategies naturally support sustainability— including providing loss control services to policyholders to minimize their risk, supporting strong building codes to protect assets and the environment, promoting safe driving habits to protect individuals and society, and serving as a risk transfer mechanism for economic activity. The Company has a robust ERM program that includes identifying and assessing climate-related risks and, where appropriate, acting upon those risks to mitigate their impact on us and our customers. In 2021, the Company developed its inaugural Corporate Responsibility Report to help inform our stakeholders about our efforts to positively impact the environment and society and to sustain our world.

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

The Company does not make any intentional direct investments to support the transition to a low carbon economy. The Company maintains investment guidelines which are geared toward balancing risk and the return on investment. Through its mandate to maximize after-tax investment income, it does have green bonds/sustainability bonds in its investment portfolio which support the transition to a low carbon economy. (See also Risk Management narrative.)

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 focuses on resilience generally as a part of its business strategy, but not necessarily with respect to specific climate-related scenarios. The Company's business strategy of focusing on small main street businesses and individuals as opposed to large or fossil fuel generating business allows it to avoid some of the significant climate-related risks while giving it frequent and diverse opportunities to support sustainability and reduce risk.

The Company's investment manager utilizes a tool (Climate Risk Analyzer) that allows it to assess and monitor the potential impact of different climate risk scenarios on its portfolio. While the Company has not yet done so, it can stress test a point in time or perform scenario analysis over time, including a 2 degree Celsius or lower scenario.

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.

Through its ERM program, climate change physical risk has been identified as an active underwriting risk and climate liability risk has been identified as an emerging underwriting risk on the corporate risk register by management for evaluation, rating, and monitoring.

Physical risk is defined as arising from increased damage and losses from physical phenomena associated with climate-related trends and events. Management recognizes that weather data from the past does not provide insurers with an accurate risk view of the future due to climate change. It is anticipated that the frequency of extreme events may decrease, but that intensity may be greater. The persistence of weather systems is expected to increase resulting in longer periods of rain, heat and cold caused by the rise and fall of the jet stream. The primary risk threat to the Company currently is the actual weather-related property loss experience departing from historical norms as the impact of global warming unfolds. Updating probabilistic models every two years partly mitigates this risk. The Company's property portfolio is managed through concentration analysis, model use and reinsurance structures. The Company has implemented property underwriting strategies by geography for risk acceptance, pricing, deductibles and special policy conditions.

Liability risk has been defined as casualty losses that could emerge in the future for risks generating fossil fuel and/or contributing to greenhouse gas emissions. Management's current evaluation of this risk is that as a commercial regional writer that primarily writes small main street businesses, we have minimal direct exposure to casualty losses arising from fossil fuel generating business. The Company has no plans to expand underwriting guidelines to write new business segments that support fossil fuel production and contribute to greenhouse emissions.

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

The Company encourages policyholders to reduce the losses caused by climate change-influenced events through a variety of communications, tools, and services:

- Proactive website and other social media notifications depicting contact information and procedures to report a claim.
- Recommendations to protect property and be cognizant of unscrupulous individuals that may surface to take advantage of our policyholders in their time of need.
- General education through brochures and/or website material on hurricane preparedness.
- Loss control consultation with commercial accounts may address hurricane preparedness and contingency planning.
- The Company offers many additional services to policyholders that encourage them to reduce losses caused by climate change influenced events through our partnership with the Hartford Steam Boiler reinsurance company. These include the following:

- Specialized coverages and services as part of its package policies that incentivize policyholders to purchase energy efficient technology and conserve energy which can help reduce carbon emissions, one of the factors which experts say is contributing to climate change.
- The Equipment Breakdown insurance program includes coverages designed to encourage commercial properties to replace damaged equipment and systems with energy efficient equipment.
- The Environmental, Safety and Efficiency coverage pays commercial policyholders up to 125 percent of the loss payable for upgrades to more energy efficient, safer or environmentally friendly equipment.
- The Company's policyholders have access to services that can help them understand how they currently use energy and what steps they can take to improve energy efficiency and reduce their energy use.
- The Energy optimization program also includes providing the Company's commercial policyholders with on-site energy efficiency observations that our inspectors make when conducting a boiler or pressure vessel inspection.
- The Company's commercial policyholders also have access to a range of equipment efficiency calculators created for the Company's small to mid-sized commercial clients that cover a wide range of equipment types and sizes including lighting systems, HVAC, electrical and mechanical equipment, motors, "vampire" electrical loads, as well as boilers.
- The Efficiency calculators can help the Company's customers objectively analyze important economic and environmental options, make informed recommendations and decisions and create concrete plans to improve energy efficiency.

• Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.

The Company recognizes that climate change can impact the return of an individual investment and, as such, the Company's investment portfolio is highly diversified by security type, industry, location and duration which, in turn, mitigates the risks posed by the impact of climate change. The Company maintains investment guidelines which are geared toward balancing risk and the return on investment.

The Company's investment manager has a carbon dashboard which allows the Company to quantify carbon intensity based on Morgan Stanley Capital International (MSCI) criteria, as well as identify the largest carbon contributors in its portfolio. They can also provide a MSCI "transition risk score". The Company has not yet incorporated this information into its decision making. However, the Company has identified industries that have a higher "transition risk score" which indicates an industries' exposure to the changes needed to move towards a lower-carbon economy.

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.

The Company's ERM process for identifying and assessing climate-related risks takes into account climate-related considerations from consultants, industry publications, expert materials, and other relevant research to determine whether climate specific items should be considered for inclusion on the Company's risk register. Items included on the active risk register are evaluated based upon the impact and likelihood of the risk, and financial impact is one of the factors. If an item is added to the emerging risk register, it is similarly evaluated based upon the impact and velocity. These items are reviewed on a regular cadence.

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

The Company monitors the active and emerging components of climate-related risk through its ERM process. See 3C below.

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:

The Company has a robust ERM process for identifying climate-related risks, assessing the degree that they could affect its business, including financial implications, and, as appropriate, acting upon those risks in order to mitigate their impact on the Company and its customers. The Company's ERM Committee and process is supported by the Company's management and Board of Directors and is considered a key operational component to the Company's business. ERM is embedded in the Company's culture.
The Company addresses the active components of climate change through its risk management framework. The active components are the climate change – transition risk and the climate change – physical risk. In evaluating the transition risk, the Company has evaluated its investment in or exposure to carbon intensive/fossil fuel generating industries. The climate change – physical risk is included in the natural catastrophe risk as it increases the severity of extreme weather events such as hurricanes, wildfires and floods. The physical risk is managed through concentration analysis, model use, and reinsurance structures.

The emerging component of liability risk was also evaluated. It was determined that as a regional writer of small commercial business, the Company is not exposed to liability risk arising from fossil fuel generating business.

Risk registers record the Significant Risks and Emerging Risks to the Company. The ERM Subcommittee meets on a monthly basis to monitor ERM tolerances, practices, and procedures and reports its activities to the ERM Committee four times per year. The ERM Committee discusses emerging risks at each of their quarterly meetings.

• 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.

The Company's climate-related risks are addressed through the Company's general ERM process as described above.

• 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.

The Company is not currently utilizing climate scenarios to analyze its underwriting risks.

• 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.

The Company does not currently utilize climate scenarios to analyze risks on its investment; however, the Company's investment manager maintains a carbon dashboard which allows it to quantify carbon intensity based on Morgan Stanley Capital International (MSCI) criteria, as well as identify the largest carbon contributors in its portfolio.

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:

The Company has not established any metrics and targets to assess and manage relevant collateralized risks and opportunities.

- 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.

Catastrophe models are used to evaluate the impact of the hurricane, severe convection storm, and winter storm perils. The Company does not write in geographic regions that are significantly prone to wildfire or earthquake and does not offer an inland flood product.

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 assesses the physical climate risks using the average annual loss, the 1 in 100 year probable maximum loss, and the 1 in 250 year probable maximum loss. The Company manages its exposure growth relative to these metrics.

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

The Company is not currently tracking Scope 1, Scope 2, or Scope 3 GHG emissions.

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

The Company is not currently using targets to manage climate-related risks and opportunities and performance against targets.

Submitted on behalf of:

Pennsylvania National Mutual
Casualty Insurance Company
and
Penn National Security Insurance Company