State Climate Risk Disclosure Survey
For Reporting Year 2021
Submitted on Behalf of:

Mortgage Guaranty Insurance Corporation
MGIC Credit Assurance Corporation
MGIC Indemnity Corporation[1]

INTENT AND PURPOSE

The Climate Risk Disclosure Survey is a voluntary risk management tool for state insurance regulators to request from insurers on an annual basis a non-confidential disclosure of the insurers' assessment and management of their climate-related risks.

The purpose of the Climate Risk Disclosure Survey is to:

- Enhance transparency about how insurers manage climate-related risks and opportunities.
- Identify good practices and vulnerabilities.
- Provide a baseline supervisory tool to assess how climate-related risks may affect the insurance industry.
- Promote insurer strategic management and encourage shared learning for continual improvement.
- Enable better-informed collaboration and engagement on climate-related issues among regulators and interested parties.
- Align with international climate risk disclosure frameworks to reduce redundancy in reporting requirements.

SURVEY QUESTIONS

Governance – narrative

1. Disclose the insurer's governance around climate-related risks and opportunities.

Response:

We are aware of the increasing potential impacts of climate change and other environmental related risks on our business and our customers. We evaluate such emerging risks in the context of our underwriting process and our management of enterprise-level risks. Responses in this survey are not indicative that identified risks are material.

We have not publicly identified specific goals on climate-related risks or opportunities. We have announced our commitment to continuing to evaluate and evolve our understanding of the increasing impacts of climate change on our business, our customers and homeowners.

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[1] MGIC Assurance Corporation (MAC) is not licensed in California.

Under our enterprise risk management framework, oversight of climate-related risk sits with the Risk Management Committee (RMC) of the Board of Directors. Six of the current 13 members of the Board serve on the RMC. Responsibilities include oversight of key current and potential future risks and the company's management of key risks, including the risk of financial loss resulting from the impacts of climate change. The RMC makes regular reports to the full Board.

Our Senior Management Oversight Committee (SMOC) is composed of members of our executive leadership team, including our Chief Executive Officer, President and Chief Operating Officer, Chief Risk Officer, Chief Financial Officer, General Counsel, and Executive Vice President of Sales. The SMOC serves as the primary governance body at the management level and seeks to maintain an enterprise-wide view of risk by managing the risks associated with strategic and business issues that are critical to the company. The SMOC is chaired by our Chief Risk Officer, the principal management liaison to the RMC. Members of the SMOC meet regularly with the Board or the appropriate committee of the Board, depending on the topic.

We are aware of the increasing potential impacts of climate change and other environmental-related risk on our business and our customers. We continue to evaluate resources to assist us as we consider such emerging risks in the context of our underwriting process and our management of enterprise-level risks. While our traditional mortgage insurance policy generally excludes property damage caused by weather, earthquakes, floods or other natural catastrophes, we do recognize that an economic downturn related to climate change-based events could increase our risks. For example, if such events result, directly or indirectly, in increased unemployment, declining home values or reduced consumer access to mortgage products, our risk exposure could increase. Historically, our losses have been most affected by home price declines; therefore, a risk management focus is on understanding the size and scope of a potential home price decline caused by any source, climate change-related or otherwise, and preparing for such an event. Our Risk Management department monitors trends in national and regional housing markets and runs stress tests based on home price declines, regardless of the reason.

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.

Response:

While our traditional mortgage insurance policy generally excludes coverage for property damage caused by weather, earthquakes, floods and other natural catastrophes, we do recognize that changes to existing laws and regulations or an economic downturn related to climate-based events, including the transition to a net zero carbon world, could increase our risks. For example, if such an event or transition resulted, directly or indirectly, in increasing unemployment, declining home values or reduced consumer access to mortgage products, our risk exposure could increase.

Historically, our losses have been most affected by home price declines; therefore, our Risk Management department monitors national and regional housing markets in an attempt to understand the size and scope of a potential home price decline caused by any source, climate

change-related or otherwise. Our Risk Management department also closely follows regulatory and industry trends to better enable us to respond to action that may be taken by the Federal Housing Finance Agency or the Securities and Exchange Commission around the impacts of climate change. We have dedicated time and resources to assess how to incorporate climate-related emerging risks into our management of enterprise-level risks. In addition to routine stress testing conducted within our portfolio, we mapped Federal Emergency Management Agency data related to climate risks (such as fire, drought, hurricanes and flooding) against our portfolio. We also explored how individual short-term natural disaster events such as hurricanes, versus long-term climate events, such as sea level rise, could impact home prices and credit losses in multiple time horizons.

Recent steps the company has taken related to reduce the climate-related impacts of our operations include: planned sale of one of our buildings; remodeled headquarters building including enhanced energy monitoring systems to improve efficiencies; installed energy efficient cooling systems; improved electrical power usage efficiencies; converted to hybrid work environment which reduces commuting by co-workers.

We attempt to mitigate our exposure to many risks, including climate-related risk, directly and indirectly through underwriting and pricing controls for the insurance we sell, maintaining strong reserves in case of protracted periods of stress from any source, and by purchasing reinsurance. We are committed to continuing to evaluate and evolve our understanding of the increasing impacts of climate change and other environmental risk on our business, our customers and homeowners.

Our company's investment assets are primarily managed by external investment managers under the supervision of our Chief Financial Officer and Treasurer. Each of our external investment managers has demonstrated capabilities to incorporate ESG factors into engagement, research and strategy to achieve specific outcomes. We recognize the relevance of ESG factors, including climate risk, in assessing the sustainability of our investments. We believe that material, non-financial factors have the potential to impact long-term investment returns and we continue to evaluate how best to integrate ESG factors into our investment process as we develop our responsible investing framework.

Risk Management – narrative

3. Disclose how the insurer identifies, assesses, and manages climate-related risks.

Response:

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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.

Response:

We do not use catastrophe modeling to manage climate-related risks, primarily because our insurance generally does not cover property damage caused by weather, earthquakes, floods or other natural catastrophes.