NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2023

NAIC 33898

Aegis Security Insurance Company

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.

Response for Governance: Aegis Security Insurance Company (Company) does not have a formal governance nor formal stated goals on climate-related risks and opportunities. Risk is managed by line of business (LOB) in terms of aggregate exposures, availability/utilization of appropriate reinsurance structures, and measured within zip codes and broader state-by-state geography. Any oversight of climate-related risks and opportunities would be the responsibility of upper management and the Board of Directors.

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.

Response for Strategy:

The majority of the Company's underwriting risk is written on an annual basis and is thus subject to frequent re-underwriting and re-pricing – a process through which we are diligent to analyze trends around pricing, reinsurance availability, inflation and competitor offerings.
We are diversified across multiple lines of property, wheels and surety business to limit the total impact of any one type of risk. Property insurance products are sold in geographically diverse areas to spread the risk. Moreover, Aegis is broadly reducing its property catastrophe exposure.
We periodically review our policies to make sure the coverage is not too concentrated in any area.
We utilize industry simulation models to measure our exposure to catastrophes and these models account for changes in the expected frequency of hurricanes due to expected climate conditions.
The Company utilizes reinsurance, including a $10.0M xs $40.0M Property Excess of Loss treaty to limit the impact of catastrophes. New business is closely managed with temporary restrictions during known or forecast catastrophic events.
The Company has not taken steps to engage key constituencies on the topic of climate change.
The Company does not have the expertise to influence our constituencies on this subject. Our insurance products do not directly influence consumers to reduce their own carbon footprint, although indirectly, the application of Fireline scores or similar risk analysis tools on homeowners' policies leads to better pricing with lower scores, and lower scores are typically indicative of fire risk mitigation such as brush clearing or defensible space. This has the potential to change consumer behavior slowly, indirectly and sporadically over time but ultimately leads to some un-quantifiable benefit in lowering overall wildfire risks. Whether this has any meaningful impact on transitioning consumers to a 'low carbon economy' is questionable.
The Company leases substantially all of its office space. It does not have control over the mechanical aspect of the facilities that would affect energy consumption or emissions. Some measures that have been taken are electronic document filing, lighting with automated shut-offs, recycling bins in all offices, the purchase of energy-saving appliances in kitchen areas, increased opportunities for employees to work from home, and an emphasis on teleconferences over travel.
The company's commercial auto book should benefit from warmer temperatures, as safer driving conditions will prevail on northerly routes with less snow and ice on the roads.

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.

Response for Risk Management:

The Company does not have a formal process for identifying climate change-change related risks. Our risk portfolio is broadly migrating away from property cat risks, as noted above. As has ever been the case in the insurance industry, managing risk concentration through aggregate management is the key determinant to successfully managing property underwriting exposures. We remain keenly focused on this component of exposure management. As such, the Company's biggest exposures remain regional weather-related events. We track these risks by monitoring risk concentration, limiting our coastal exposures, and purchasing reinsurance. We utilize industry simulation models to measure our exposure to catastrophes, and these models account for changes in the expected frequency of hurricanes due to expected climate conditions.

The Company utilizes reinsurance, including a $10.0M xs $40.0M Property Excess of Loss treaty providing coverage to limit the impact of catastrophes. We periodically review our policies to make sure the coverage is not too concentrated in any area. We utilize industry simulation models to measure our exposure to catastrophes, and these models account for changes in the expected frequency of hurricanes due to expected climate conditions.

The Company has not taken any steps to encourage policyholders to reduce losses caused by climate change-influenced events. The Company does not have the expertise to influence our policyholders on this subject.

The Company has not considered the impact of climate change on its investment portfolio and has not altered its investment strategy in response to these considerations. Aegis Security's investments are managed by an independent investment advisory firm that follows the investment policy that was approved by the Board of Directors Investment Committee. The Company's investment managers have not identified any significant concentrations of climate change risk on securities in our current portfolio. ASIC does not heavily invest in heavy carbon-emitting industries. The Company does not believe there is a significant component of fixed income or equity securities that will be adversely impacted by climate change-related catastrophes.

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:

The Company does not participate in, cede risk to or rely upon for reinsurance support any collateralized reinsurance vehicles, whether for catastrophe risks or any other lines of business which may occasionally be ceded to a collateralized structure.

* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.