NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2022

Benchmark Insurance Company – NAIC #41394

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.

Benchmark Insurance Company (hereinafter "Insurer" or "BIC") is an A.M. Best A-rate, multiline stock insurer admitted in 49 states and the District of Columbia. As a full-service issuing carrier, BIC provides admitted insurance products and services focused on specialty casualty lines to insurance companies, MGAs, MGUs, (hereinafter collectively "Partners") and Captives that need a broadly licensed and well-capitalized insurer to better distribute their products. Insurer is part of a uniquely integrated group of insurance companies, whose ultimate parent is Trean Insurance Group (hereinafter "TIG").

Insurer does not have a formal climate-related policy in place; however, it recognizes the potential risks and opportunities associated with climate change as part of its overall Enterprise Risk Management system that's embedded throughout the organization.

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.

TIG's board and board committees meet quarterly to review and guide strategy, budgets, and performance objectives.

The Enterprise Risk Management Committee (hereinafter "ERMC"), comprised of at least seven executives spanning various key functions across Insurer's operations, also meets quarterly to review selected risk categories. The ERMC is responsible for communicating the pertinent elements to Insurer, TIG's board, and other committees.

The Underwriting Committee (hereinafter "UC") utilizes a comprehensive process to implement proper underwriting strategies for new and renewal business. Partners must meet stringent underwriting and actuarial requirements, and during the due diligence phase of considering a new partnership, the UC examines every aspect of the program closely. This includes an assessment of climate-related risks and opportunities in matters such as the program's underwriting philosophy, risk selection criteria and rating for each line of business, loss control, and its disaster recovery plan. Guidelines are agreed upon between Insurer and Partners that address climate-related issues such as coverage territories, limits, target risk details, and exclusions. Partners must also meet rigorous, ongoing auditing requirements that help ensure they are complying with Insurer's strategy.

B. *Describe management's role in assessing and managing climate-related risks and opportunities.*

Insurer does not have any direct employees, but the managements teams employed elsewhere within TIG contract business on behalf of Insurer. Along with the ERMC, senior management is responsible for disseminating ERM goals, training, and key tasks within their respective departments.

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. *

Insurer has assessed risks and opportunities on a short-term (within the next 12 months), medium-term (within 1-4 years), and long-term (5+ years) basis.

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.

The primary risk related to climate spanning all timeframes is underwriting risks associated with concentration, specifically including property catastrophe exposures (physical impacts of climate change, often manifested as weather events, risking sea levels impacting zoning, etc.)

Other risks include enhanced reporting obligations (resulting in increased operating costs), physical damage to offices (resulting in disruption of business, additional costs, etc.), and other costs associated with losses (increased claims and related litigation).

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.

Insurer does not believe it is materially exposed to climate-related risks given its model and strategy; however, it is cognizant of potential impacts, particularly from severe weather events, on matters such as the availability and cost of reinsurance, the accuracy of modeling tools, and disruption to physical assets/operations. Insurer is purposefully expanding its partnerships, offerings, and geographic coverage to provide risk diversification, which will further mitigate climate-related risks.

Insurer gains a significant competitive advantage by employing a multi-channel distribution system. Insurer's reinsurance brokerage is split between Partners and owned MGAs. Insurer uses a very stringent selection process and ultimately partners with only those Partners that fit its strategic model.

Insurer's product diversification is supported by a wide range of expertise, both in-house and through its Partners. Insurer avoids lines of business in which it lacks expertise. Workers' compensation accounts for more than half of Insurer's Gross Written Premium (hereinafter "GWP"), while Homeowners and other liability products account for a minimal portion of GWP. Only a handful of Partners are authorized to write property coverage, which is by design. Though Insurer writes hurricane-exposed risks, it retains only a minimal portion of that exposure and has catastrophic coverage with an A-rated insurer. In the upcoming years, Insurer is focusing on expanding through additional product offerings, which are primarily ceded. Due to the inherent risks of Homeowners and other property and liability products, Insurer intends to make minimal growth within those lines of business.

Insurer is also strategically diversifying its geographical coverage.

Insurer relies upon input from a reputable assets management firm as well as its seasoned leadership in forming its financial strategy. Insurer believes that insurance and investment risk are inextricably linked, and consequently, the assumption of risk in either has a significant impact on Insurer's ability to assume risk in the other. Insurer's Investment Policy reflects this idea and sets its objectives accordingly. Insurer carries a moderate investment risk due to the volatile rate environment and its recent adjustment to accept slightly more risk to achieve higher returns.

Insurer has not identified any substantial climate-related opportunities; however, there are some opportunities to become more resource-efficient through recycling, to increase the value of its fixed assets by using highly-rated energy-efficient materials, and to expand coverage and GWP by exploring emerging markets.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

Insurer has not analyzed the impacts of a 2-degree Celsius change within its models and risk analyses.

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. *

Identifying risks falls primarily to the ERMC, which is tasked with evaluating risks, developing mitigation strategies, and reassessing key points on at least a quarterly basis. The ERMC has developed a framework for risk evaluation criteria that defines five levels of risk with correlating statements of likelihood, controls and procedures, management and staff, and financial impact.

Insurer also employed a third-party asset management provider to assist in its inaugural Enterprise Based Asset Allocation Model that analyzes underwriting and investment risks based upon investment holdings, pro forma options, lines of business, and financial projections.

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

Insurer utilizes a digital platform with a data warehouse that collects and builds a robust repository of statistical data. It empowers Insurer to track rates, monitor historical loss experience and reserve development, and measure and analyze trends of the other relevant metrics across all functions of its business. This tool helps Insurer identify key data points, such as its aggregated risk exposure to weather-related catastrophes of property business by jurisdiction. Insurer also routinely consults expansive, credible state databases that aid and inform its philosophy and decisions related to risk management.

The ERMC reviews identified risks on a quarterly basis and utilizes this data as well as other research and observations in forming its recommendations to the Board.

At least annually, Insurer also models its catastrophic exposures, particularly focusing on workers' compensation in California and property exposures in Michigan and Texas. Presently, the cost of catastrophic reinsurance, including reinstatement premiums, is immaterial to Insurer's financial results.

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.

In recent years, the ERMC has completed a massive analysis of risks across every facet of TIG. It identified 201 unique risks across five risk sub-categories, 93 of which were considered key risks requiring regular scrutiny. Climate-related risks have been identified primarily under the "Underwriting" sub-category. As such, they are reviewed alongside all other risks pursuant to the schedule of the ERMC and the Board.

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.

Insurer continually analyzes available information to assess the potential climate-related impacts on its operations and strategy. Though it doesn't have a large carbon footprint, it always seeks to decrease its environmental impact through initiatives, such as remote/hybrid employee offerings and going "paperless."

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.

Insurer has not adopted formal metrics specific to climate-related risks and opportunities.

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

Insurer has no available data concerning weighted average carbon intensity or greenhouse gas emissions associated with commercial property and specialty lines.

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

Insurer has not identified any key climate-related targets, such as those related to GHG emissions, water and energy usage, etc.

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