NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2024

National Summit 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.

None

• 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.

Group level; no activities 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.

The SVP of Business Development & Reinsurance for the Company is responsible for oversight of managing the climate related financial risks

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

Management assesses climate-related risks and opportunities through the Karen Clark & Company (KCC) modeling tool which is licensed by the group.

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 insurer meets quarterly with the board of directors to assess the impact of climate risk and resiliency to the insurer's business on a gross and net (after reinsurance) basis. Internally, the management team meets quarterly to review the modeling results from the KCC tool to assess any changes to the insurer's business.

• Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations. * The insurer is paperless and other than required travel has mitigated against greenhouse gas emissions.

A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term. Climate related risks are related to the property insurance underwritten by the insurer and impact short, medium and long-term plans. The insurer continually evaluates these risks and opportunities using the Karen Clark and Company model which is regularly adjusted and updated to match modern climatological standards by their Climate Experts.

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. The insurer reviews the impact of personal and commercial property insurance underwritten by the company based on current performance (short-term) as well as the outlook for future years for this business – both from a premium and loss perspective as well as a modeling perspective using the KCC tool and determining probable maximum loss in various event sets

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. The insurer is focusing on applying lower maximum exposures within 5km radii along the coast to prevent reinsurance costs per policy from increasing, and increasing deductibles in areas where exposures are high to transition more risk to the insured.
- Discuss if and how the insurer makes investments to support the transition to a low carbon economy. The insurer works with Conning, as the investment portfolio manager, to review the impact of the investment portfolio on its ESG strategy.

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 resilience of our strategy is determined through the KCC modeling tool for the current and future outlooks of hurricane, severe convective storm, and earthquake perils. With the help of our brokers, we review RMS modeling results for Winter Storm events including sub-0-degree Celsius scenarios in Texas to make sure we have sufficient premiums to cover such events. We are also regularly monitoring impacts of wildfire exposure in planned areas of growth using RMS and KCC modeling through our brokers.

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. * The insurer utilizes the KCC to determine the impact of climate related risks on its underwriting portfolio and manages exposure through continuous review of these modeling outputs. The insurer uses reinsurance to mitigate against excess risk to the insurer.

• Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable. * The insurer is focusing on applying lower maximum exposures within 5km radii along the coast to prevent reinsurance costs per policy from increasing, and increasing deductibles in areas where exposures are high to transition more risk to the insured.

- • Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered. * The insurer works with Conning, as the investment portfolio manager, to review the impact of the investment portfolio on its ESG strategy

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 management team meets at least quarterly to review the modeling results from the KCC tool to assess financial implications from various modeling scenarios.

B. Describe the insurer's processes for managing climate-related risks. If it is determined that climate-related risks are larger than the insurer's capital and surplus can support, moratoriums are placed to prohibit new business writings in higher climate risk areas. Additionally, reinsurance is purchased to mitigate against excess climate related risks

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management. The management team meets formally on at least a monthly basis and discusses the impact of climate related risks as part of the overall risk management strategy.

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. The insurer uses a Risk Register as part of its general enterprise-risk management process to monitor and manage corporate internal and external risks, which includes any climate related risks

• 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 KCC tool allows for scenario testing hurricane, severe convective storm, and earthquake climate related impact on the portfolio based on the current in-force book of business. The modeling work done with brokers allows us to also monitor winter storm and wildfire modeling impacts.

• 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 insurer relies on its investment manager, Conning, to analyze risks on investments

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. The insurer utilizes various metrics from the KCC modeling tool to determine the impact of all climate related risks on its underwriting portfolio and manages exposure through continuous review of these modeling outputs. These metrics include, but are not limited to probable maximum loss, various event sets in the 1:50, 1:100, 1:250 and 1:1000 year probabilities.

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. This is not monitored by the insurer.

C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets. The insurer's goal is to maintain a net (after all reinsurance) 1:250 PML (probable maximum loss) around $10M by year's end.

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