# NAIC CLIMATE RISK DISCLOSURE SURVEY
# TCFD-ALIGNED QUESTIONS
# UPDATED 2022

## 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.*

Kingstone Insurance Company ("KICO") is aware that climate change poses physical and transitional risks that could potentially affect both sides of our balance sheet – assets and liabilities – as well as our business model. KICO is aware that climate change may present opportunities for KICO to help communities be more resilient through inclusive and affordable insurance, to contribute to climate change adaptation and mitigation, and to enhance the insurability of climate-related risks. KICO will take a strategic approach to managing climate risks that considers both current and forward-looking risks and identifies actions required to manage those risks in a manner proportionate to the nature, scale, and complexity of our business. KICO's Board of Directors has (1) adopted a *Management of Financial Risks from Climate Change Policy*, (2) designated the Executive Committee of the Board as responsible for the oversight of Kingstone's management of climate risk, and (3) designated senior management members to oversee the financial impact from climate risks and report any activity to the Executive Committee at least annually and develop policies regarding risk appetite for the company. Initial areas of opportunity have been identified and include reinsurance, investments, and facilities.

## 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.*

KICO predominately writes homeowner policies in coastal areas of New York State and is therefore subject to losses from climate-related weather events such as hurricanes. To mitigate the financial impact to KICO of a hurricane, KICO purchases catastrophe reinsurance from AM Best "A" rated carriers. The amount of catastrophe insurance purchased is based on catastrophe modeling which produces probable maximum losses under various scenarios for the KICO book of business. KICO has consistently purchased catastrophe insurance in various amounts exceeding the 100-year storm. KICO provides a valuable product in an underserved market which is subject to climate risk and weather events. KICO continues to monitor our geographic concentration and product risks associated with climate change and formulate policies in this regard when warranted.

In terms of investments, KICO does not invest in fossil fuels. Our investment committee considers such things as green energy investments and contemplates transitional risks involved with the investment portfolio as well as the impact of weather events on the portfolio. In terms of our facility, we have changed to LED lighting which uses significantly less electricity, we have considered electric vehicle charging stations and we continue to allow our employees to work remotely which minimizes emissions from commuting.

## 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.

KICO is taking a proportionate approach to managing climate risks that reflects our exposure to climate risks and the nature, scale, and complexity of our business. KICO will consider our size, complexity, geographic distribution, business lines, investment strategies, and other factors in our approach. KICO will likewise consider the availability of resources in our approach. Regardless, KICO will analyze our climate risk on both the underwriting and investment sides of our balance sheet. The largest risk to KICO's underwriting portfolio is hurricane loss from climate-related exposures. As previously mentioned, KICO manages this risk by purchasing an appropriate amount of catastrophe reinsurance. KICO's Board of Directors has appointed the Executive Committee with oversight of KICO's management of financial risk from climate-risk and has charged its senior management team to monitor, look for opportunities, contribute to and report on initiatives related to management of financial exposures from climate-risk. KICO carefully considers the financial implications of weather-related events on results. Catastrophe modelling produces probable maximum loss information which forms the basis for KICO's tolerance level and thus catastrophe reinsurance purchase.

## 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.*

KICO remains aware of potential changes in our business environment and addresses these risks strategically. KICO will consider which business areas are exposed to physical and transitional risks; the materiality of the risks; whether affected areas should be continued, scaled back or adapted; and whether climate risks require consideration across all business areas and processes based on their materiality, or only those business areas and processes that are particularly exposed. KICO will use scenario analysis and stress testing where qualitative analysis determines that climate risks are potentially material. KICO will to the extent possible set and monitor clear key performance indicators for quantifiable risk factors. The primary metric used is catastrophe modeling results of hurricane exposures on the KICO homeowner portfolio. This is the single largest threat to the financial health of KICO and the basis of purchasing catastrophe reinsurance to spread and transfer the risk. KICO will to the extent practicable incorporate climate risk into our existing enterprise risk framework and functions. KICO will address all reasonably foreseeable and relevant material risks potentially impacted by climate change including credit risk, legal risk, liquidity risk, market risk, operational risk, pricing and underwriting risk, reputational risk, and strategic risk as warranted.

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