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.

The Group's Climate Change Risk framework is aligned to meet regulatory requirements and is designed to also align to the existing Risk Management framework and wider group business and strategic objectives.
An internal policy provides internal guidelines how the Group ensures that there is a robust framework in place to identify and manage climate-related risks and opportunities. This shall:

- help ensure that the Group develops a consistent approach to managing and mitigating climate-related financial risks on an ongoing basis;
- ensure that there is adequate visibility of risk management activities at the Board level;
- allow for strategic discussions and support the right risk-reward balance.

Accelerant has not publicly stated any goals on climate-related risks and opportunities. Climate-related disclosures are handled by the local teams of the different legal entities. The Company's annual ORSA for its legal entities will incorporate how it manages climate risks, including scenario analyses.

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 climate-related financial risks.

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

The following roles and responsibilities are in place across the entire Accelerant Group in the context of Climate Change Risk:

Role	Responsibilities
(Local) Audit and Risk Committee (where relevant)	• **Policy Development:** Develop and approve high-level policies related to climate risk. • **Risk Assessment: Identify**, assess, and manage climate-related risks at an operational level. Develop and execute action plans to mitigate these risks. Regularly review the company's exposure to climate-related risks and their potential impact on financial performance. • **Climate Risk Reporting:** Provide regular updates and reports on climate risk management activities, performance, and emerging issues to the Board of Directors. Oversee the accuracy and completeness of climate risk disclosures and reports, ensuring they are aligned with relevant guidelines and frameworks.

	• **Recommendations:** Provide recommendations to the Board of Directors on improvements to climate risk management practices and reporting. • **Oversight of Risk Management Framework and Internal Controls:** Monitor the effectiveness of the company's risk management processes, including those related to climate change. Ensure that climate-related risks are identified, assessed, and managed in accordance with industry standards and regulations. Review and assess internal controls related to climate risk management, ensuring they are robust and effective in addressing emerging climate-related risks.
(Local) Board of Directors	• **Strategic Oversight:** Provide strategic direction and oversight on climate change risk management. Ensure that climate-related risks and opportunities are integrated into the company's overall strategy and decision-making processes. • **Governance:** Set the tone at the top regarding the importance of climate risk management. Ensure that there is a clear governance structure in place for managing climate risks. • **Approval:** Approve climate risk management policies and frameworks, including the company's approach to climate-related disclosures and sustainability initiatives. • **Stakeholder Communication:** Ensure transparent communication with stakeholders regarding the company's climate risk management efforts and sustainability performance.
(Local) Management Committee	• **Implementation:** Implement the climate risk management strategy and policies set by the Board of Directors. Ensure that climate risk considerations are integrated into day-to-day operations and decision-making. • **Operational Oversight:** Oversee the execution of climate risk management initiatives and ensure that resources are allocated effectively. • **Training and Awareness:** Promote climate risk awareness and provide training for staff to enhance their understanding of climate-related issues and their implications for the company. • **Performance Monitoring:** Monitor the effectiveness of climate risk management practices and take corrective actions as needed to address any identified gaps or issues.

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. *

The key climate change risks identified are physical risks, which may challenge Accelerant's ability to effectively underwrite, model and price catastrophe risk, particularly if the frequency and severity of catastrophic events such as floods and windstorms and other natural disasters continue to increase.

Climate change-related risks relating to transition risks may also adversely impact the value of Accelerant's asset portfolio or lead to increased credit risk of other counterparties it transacts business with, including reinsurers. In addition, Accelerant's reputation or corporate brand could be negatively impacted because of changing customer or societal perceptions of organizations that it either insures or invests in due to their actions (or lack thereof) with respect to climate change.

Accelerant has identified the following climate-related risks and their potential impacts:

- **Physical risks** are risks that arise from the physical effects of climate change. They include:
  - **Acute physical risks,** which arise from particular events, especially weather-related events such as storms, floods, fires or heatwaves that may damage production facilities and disrupt value chains.
  - **Chronic physical risks,** which arise from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity.

  Accelerant acknowledges that it will become increasingly susceptible to climate risk from both acute and chronic perils: flooding, storms, water level rise, as well as intensity and frequency of wildfires, often driven by drought.
- **Transition risks** are risks that arise from the transition to a low-carbon and climate resilient economy. They include:
  - **Policy risks, for example due to energy efficiency requirements, carbon pricing mechanisms which increase fossil fuel price, or policies to encourage sustainable land use.**
  - **Technology risks,** for example if a technology with a less damaging impact on the climate replaces a technology that is more damaging to the climate.
  - **Market sentiment risks,** for example if the choices of consumers and business customers shift towards products and services that are less damaging to the climate.
  - **Reputational risks,** for example the difficulty of attracting and retaining customers, employees, business partners and investors if a company has a reputation for damaging the climate.

Liability risks are a secondary type of risk that arise from parties who have suffered a loss/damage from physical/transaction risks and are seeking to recover losses from those they hold responsible. This increases the potential for litigation if entities and boards do not adequately consider or respond to the impacts of climate change. This may include the potential breach of the Directors' duties. The legal risks from climate-related liabilities can be of particular importance to insurance firms given these risks can be transferred through liability protection, such as Directors' and Officers' and Professional Indemnity insurance.

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.

Short-term	• Acute physical risks • Policy risks
Medium-term	• Acute physical risks • Policy risks • Market sentiment risks
Long-term	• Chronic physical risks • Technology risks • Market sentiment risks • Reputational risks • Liability risks

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.

Investment Objectives

The Company has a limited appetite for investment risk, and invests to ensure the preservation of capital, whilst maintaining adequate liquidity for claims payments to policyholders (and other cash needs), and to generate a positive investment return in excess of its benchmarks.

The Company views sustainable investing which includes the evaluation of ESG risk factors as an integral component of its risk assessment and investment decision-making process. The Company is committed to integrating ESG factors both in its investment process and the operations underpinning those investments.

The Company's investments are managed by expert investment managers and a long-term view is taken on the return profile and sustainability of the investment(s).

Integration of Climate Transition Risk

Accelerant recognizes that the increased risk from climate change may affect the value of the Company's assets in the future. Over the longer-term, as efforts to move away from a carbon-intensive economy gather pace, the Company recognizes the possibility that, financial market participants may fundamentally reassess the value of carbon-intensive assets and the businesses that rely on them.

Shifts in consumer behavior may affect the long-term viability of these businesses and their ability to repay debt. This revaluation may lead to impairments to the value of these assets. Long-term trends are considered as part of the initial credit review and regular creditworthiness reassessment processes.

Specific transition risks relating the Company’s investment portfolio include:

- Increased cost associated with production of carbon intensive products.
- Impairments in carbon extractive industries due to falling demand, carbon pricing or outright ban.
- Higher levels of business investment to support transition
- Failure of businesses to evolve their business model

Underwriting & Pricing Management

The Company recognizes it needs to assess the impact of climate change across its underwriting portfolio for extreme weather events and longer-term shifts such as heatwaves, droughts, and coastal erosion.

The Company actively considers the latest climate science and policies to anticipate potential changes to its risk profile, pricing models and strategic planning.

The Company continually considers changes in climate and weather patterns, which forms an integral part of Accelerant‘s underwriting process.

Integration of Climate Change into Underwriting processes

The Company seeks to assess the impact of climate change on both the short-term and long-term profitability across its underwriting portfolio with a focus on understanding underlying root causes and key drivers that can impact the frequency and severity of claims and premiums across its main lines of business.

The Company provide insurance products and services to help its clients be proactive against the threat of climate change.

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

Accelerant Group has developed scenarios for the major climate related perils for the main regions. The scenarios are based on both a 1.5 degrees Celsius temperature increase, and 2 degrees Celsius temperature increase projected out to 2050. Both iterations are projected to lead to a similar net loss in the income statement. Considering the medium- or long-term impact would not materially impact net retention.

Overall, the impact of the climate change scenarios is visible as of 2025 and beyond, initially due to the lower profit being considered in 2025 because of the net loss but remains limited due to the solid reinsurance structure in place, which absorbs much of the impact. This demonstrates the resilience of Accelerant’s strategy.

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. *

Accelerant uses a range of tools and techniques to identify climate risks including the following:

- Ongoing risk identification through quarterly meetings with functional heads and SME's.
- Regular risk assessment and emerging risk assessment - involves a discussion and assessment of the risks and controls of a given activity or process with the personnel involved in the day-to-day operation of the activity or process. This is a useful technique if the activity or process is straightforward and relies upon little input from others.
- Risk analysis and root cause – through incident reporting and risk deep dives.
- Stress and scenario analysis - Consider the results of various quantitative and qualitative analyses conducted of potential "shocks", or risks the business may face, over both one year and in the longer-term. This includes analysis of plausible but severe events, allowing management to understand the impact on Accelerant's solvency requirements and strategy.
- Stakeholder mapping and Political, Economic, Sociological, Technological, Legal and Environmental (PESTLE) analysis.

Risk Radar and Stakeholder Mapping

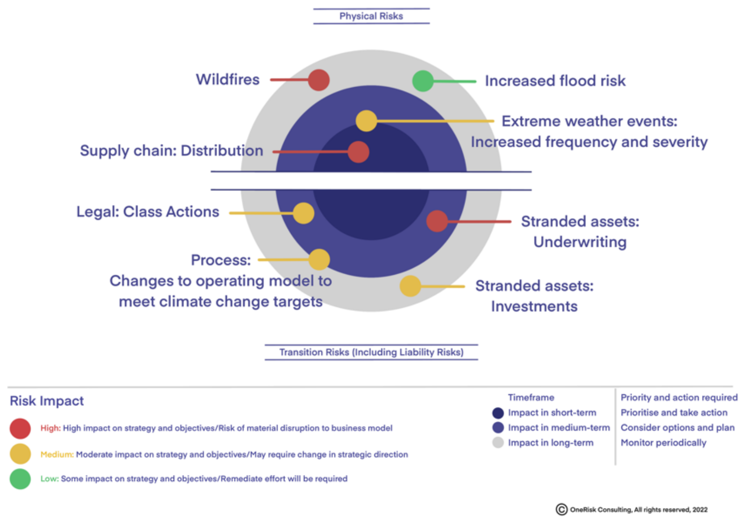
The Company has developed a process to identify climate related risks and opportunities that aligns with the industry standard climate taxonomy, that provides a clear delineation of the financial risks associated with climate change namely, Physical, Transition and Liability risks.

One of the main techniques that Accelerant has adopted has been to create a standalone climate risk radar that has been designed to seek out information from within and outside the organization by using a PESTLE analysis. This describes a framework of macro-environmental factors used in the environmental scanning component of strategic management, to gain insights in respect of global trends such as climate change.

One of the main benefits of doing this is to build consensus amongst a range of stakeholders about future threats and opportunities and how to tackle or profit from them.

- **Threats:** What is emerging on the horizon which could adversely affect Accelerant's strategic objectives.
- **Opportunities: The emerging trends and/or commercial initiatives that Accelerant can capitalize on to support its strategic objectives.** What trends and directions data and information gathering reveal and indicate as areas of potential competitive advantage in the future marketplace.

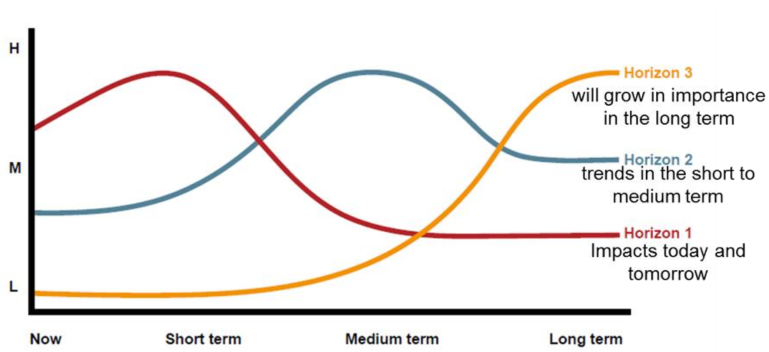
The diagram below highlights some key impacts/outcomes from climate change physical, transition, and liability risks.



Horizon Scanning and Three Horizons Model

One of the most challenging aspects to assessing the impact of climate change is the time horizon. It is important to distinguish between existing risks that will change over time due to climate change and new emerging climate risks that may impact the organization in the future i.e. when they are expected to crystallize.

The horizon scanning process aligns to regulatory expectations developed over three distinctive time horizons namely short, medium, and long-term using a range of approaches and tools. The process is outlined in the figure below.

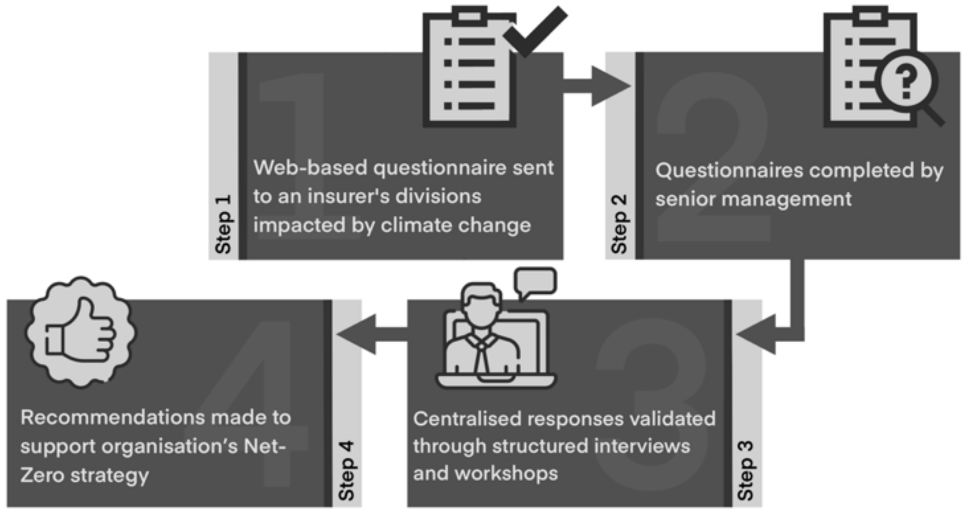


Horizon 1: Where you are currently taking action
Horizon 2: Visible trends for strategic consideration
Horizon 3: Little trend information today but planning needed

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

The Company has developed a methodology that involves the design of a climate risk assessment survey tool that requires different business functions to capture feedback that enabled management to design a conceptual framework. The survey tool has been adapted to ask specific questions that seeks to understand the development of ideas, concepts, and challenges in addressing how the business could transition to a low carbon economy and through understanding from external sources to develop a process that can then be discussed with senior management as part of the conclusions and recommendations.

The high-level flowchart of the process is below:



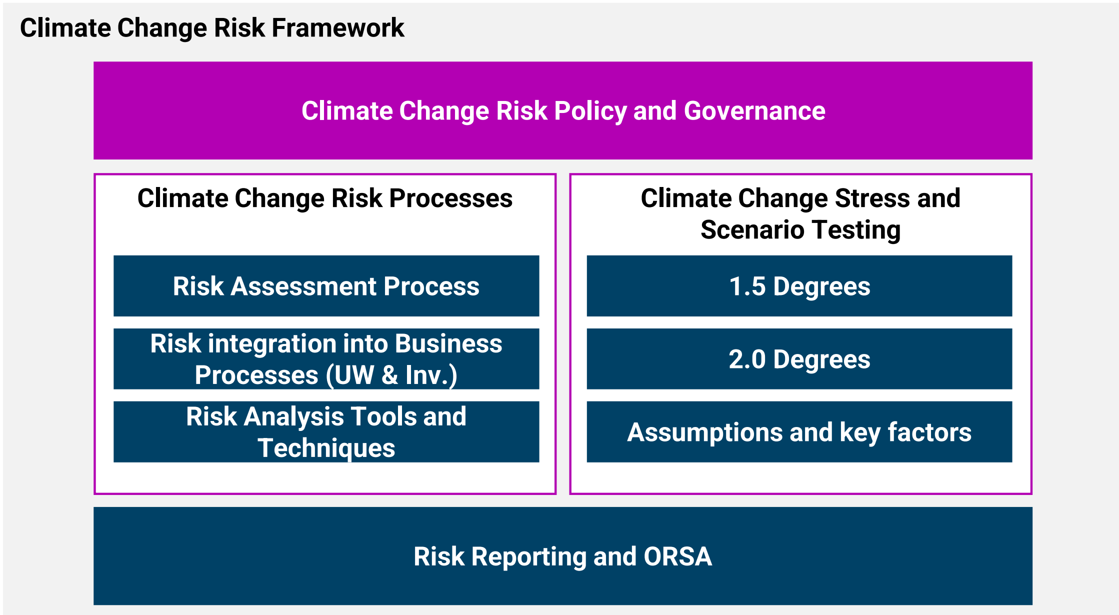
The survey captured a wide range of responses from the participants, which enabled the identification of climate risks and trends and supported wider strategy issues around how to deliver practical strategic approaches to achieve net zero.
In developing opportunities to move to a net zero strategy, the Group recognizes there will be a need to collaborate across the entire value chain. This will require the development of additional bespoke tools and techniques and a robust strategy that aligns with wider government targets.

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.

The Climate Change Risk Management Framework focuses on making sure that climate change is included in Accelerant's risk management and business processes. The main reason for this is the fact that it believes that climate risk is just like any other risk, such as underwriting or investment risk. In this context, the following Framework is in place:



The Company believes it is fundamental to ensure there is a good understanding of the impact on Climate Change Risk and how it in turn impacts the portfolio and performance. Managing this impact is the same as managing any other risk.

The Company employs various approaches to assess, manage and monitor its risk exposures, including using various metrics and early warning indicators. Accelerant uses a proprietary capital and stress testing framework to measure quantifiable risks for both insurance and non-insurance operations.

The Company conducts risk identification through a number of processes at the functional and corporate level, which is focused on capturing material climate risks. A key initiative is our integrated bottom-up risk identification and assessment process conducted at the product-line level.

In addition, the Company performs an annual top-down risk assessment to identify top risks and assign owners to ensure these risks are appropriately addressed and managed. These processes are used as a critical input to enhance and develop our analytics for measuring and assessing risks across the organization.

METRICS AND TARGETS

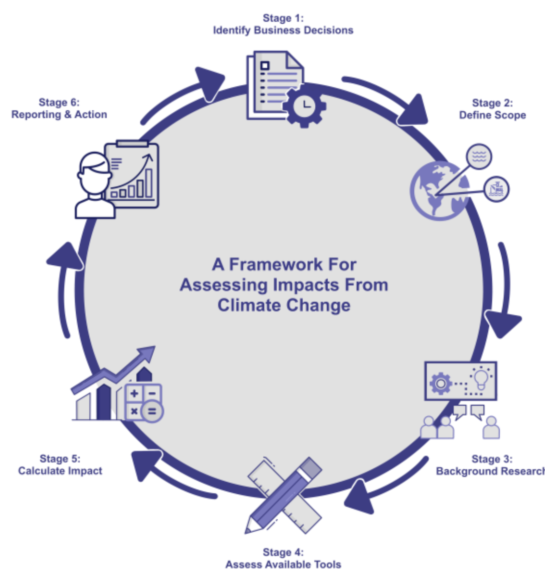
4. *Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.*

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.

Stress and Scenario Analysis is one of the main tools used by Accelerant to understand aggregate exposure to our most significant financial and insurance risks.

Accelerant has developed a framework that includes a robust process for assessing the impacts of specific scenarios on the organization. The framework is in line with the regulatory requirements and includes a six-step process shown in the figure below.



Due to the nature of its business, the Company is exposed to various potential catastrophic events in which multiple losses can occur and affect multiple lines of business in any given calendar year.

To determine the sufficiency of catastrophe limits, the Company evaluates its aggregate replacement cost values in high hazard flood, wind, and earthquake areas, as well as relying on modelling for probable maximum loss/average annual loss expectancies to determine appropriate insurance limits of purchase. Accelerant also evaluates past property losses annually.

The Company uses Guy Carpenter as its reinsurance broker to undertake detailed modelling of its exposures. This is supplemented by external consultants who extrapolate the results to assess the impact of climate change. The Company uses IPCC reports and various published scientific literature supplemented with internal research to inform our view on confidence and any subsequent adjustments.

The Company reviews its gross and net limits ongoingly to assess climate change across various natural disaster perils.

Since a considerable proportion of the Company's Natural catastrophe related risk exposures are underwritten and renewed annually, it affords an opportunity to regularly re-underwrite and re-price exposures.

In respect of model risk, the Company plans to update its catastrophe models to accommodate the changing climate, which will include a roadmap to consider new and emerging risks such as wildfires and other peril/regions that may need to be incorporated into existing models.

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.

Accelerant endeavors to identify and understand the key drivers of their business performance and look to build these into its scenarios. In designing the scenarios, we assess past climate trends and losses, review our current risk profile in detail and then consider emerging climate risk trends.

The main stress and scenarios that Accelerant undertakes covers a range of its risks and support specific business decisions:

- Insurance portfolio and impacts on annual average loss (AAL) on Nat Cat Exposures.
- Investment portfolio and impact on performance across its asset allocation including sectors, countries, and asset classes.

Accelerant Group has developed scenarios for the major climate related perils for the main regions. The scenarios are based on both a 1.5 degrees Celsius temperature increase, and 2 degrees Celsius temperature increase projected out to 2050.

The future scenarios are based on using different return periods appaired with future climate change trends and impacts in the frequency and severity of losses. The scenarios take into account the most recent thinking and is the best estimate of what could happen. This allows the Company to use it in decision making.

For both scenarios, the most important perils are defined and the probability of the perils occurring are increased to a reasonable but stressed number. The increased probability of occurrence is modelled, and a new loss ratio is determined based on the current portfolio.

The scenarios are shown below:

- Scenario 1: A once in 200-year loss, projected forward to the year 2050.
- Scenario 2: Two one in 10-year losses, and one in 50-year loss, projected forward to the year 2050.

The Company will apply this approach for all major perils impacted by climate change and across each of the main jurisdictions in compliance with local regulatory stress tests requirements. Accelerant will then monitor and review these scenarios going forward and update them annually as part of the annual ORSA process.

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

We have evaluated our greenhouse gas (GHG) emissions in accordance with the NAIC guidelines. Given that we do not own or control any physical property, production facilities, or server rooms, our Scope 1 emissions are effectively zero, as we do not produce or directly emit any greenhouse gases.

Regarding Scope 2 emissions, we are currently in the process of estimating these figures. However, since we are a remote-first company and do not own any properties, nor receive utility bills directly, our Scope 2 emissions will be based on internal estimates, reflecting our indirect energy use.

For Scope 3 emissions, we have determined that this category is not applicable to our operations, as we have no indirect emissions beyond those captured in Scope 2.

We remain committed to transparency in our environmental reporting and will update our estimates as more precise data becomes available.

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

Accelerant will manage its climate change risk exposure through monitoring and reporting on its material exposure to climate change risk in the entity's underwriting and investment portfolios. Monitoring will focus particularly on those sectors deemed to have a heightened exposure to climate change risk factors. Monitoring will include assessments of areas of concentration and aggregation between underwriting lines of business and our investment portfolio.

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