

California Department of Insurance

**INSURER CLIMATE RISK DISCLOSURE SURVEY
For Calendar Year 2010**

Due Date: May 1, 2011

Company Name: BALBOA INSURANCE COMPANY	
NAIC No. 24813	NAIC Group No. 1281 Domiciled State: CA
CA Direct Premiums Written \$42,636,488	Nationwide Direct Premiums Written \$962,387,850

<u>Survey Questions</u>	<u>Comparable CDP Questions</u>
<p>1. Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations? If yes, please summarize. Answer: The company does not currently have a plan to reduce or mitigate its emissions in its operations or organizations.</p>	Performance Question 21
<p>2. Does the company have a climate change policy with respect to risk management and investment management? If yes, please summarize. If no, how do you account for climate change in your risk management? Answer: The company does not have a specific climate change policy. The company partners with vendors using their licensed models that provide us with analysis that help us assess natural catastrophes. Those models reflect current climate conditions.</p>	
<p>3. Describe your company's process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications. Answer: The company licenses natural catastrophe models which are run routinely to help us assess impact to our business, specifically regarding increased volume of losses associated with claims from natural disasters, such as hurricanes, wildfires, and other severe weather related events.</p>	Risks and Opportunities Questions 1-3
<p>4. Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks. Answer: Climate change could potentially create an environment in which the company experiences more severe weather related events than have been historically experienced, particularly among the Atlantic coastal states most susceptible to hurricanes.</p>	Risks and Opportunities Questions 1-3

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<p>5. Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken.</p> <p>Answer: The issue of climate change is taken into consideration by our Investment Manager's economists and strategists the same way that other macro issues (interest rates, currency movements, political developments, terrorism, etc.) are considered in developing their investment views. However, there are no specific sectors, industries, or companies where investments are either targeted or avoided based solely upon the issue of climate change.</p>	<p align="center">Risks and Opportunities Question 3: "Other Risks" Question 6: "Other Opportunities"</p>
<p>6. Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.</p> <p>Answer: The company offers discounts or lower deductibles to policyholders in hurricane prone states when steps have been taken to reduce losses to property, such as by applying storm shutters and/or anchored roofs as examples.</p>	<p align="center">Risks and Opportunities Questions 4-6</p>
<p>7. Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.</p> <p>Answer: The company's associates periodically attend risk management vendor sponsored conferences which include the topic of climate change and participate in regular conversations with vendors.</p>	<p align="center">Governance Questions 24, 26, 27</p>
<p>8. Describe actions your company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling.</p> <p>Answer: The company models our exposure to hurricane losses on a monthly basis in U.S. Includes all Atlantic states subject to hurricanes in addition to Hawaii. Near term modeling event set that represents the risk level for next three to five years. Also use models to assess exposure to earthquake and severe weather including tornado and hail storm. Also model exposure to wild fire risk in California. Understand very clearly our exp to nat cats and severe weather, as these conditions evolve will continue to assess, looking at 3-5 window.</p>	<p align="center">Risks and Opportunities Questions 1-3</p>