Palomar®

Sustainability & Citizenship Report

FEBRUARY 2022

Letter From The CEO

I'm proud to share Palomar's second annual Sustainability and Citizenship Report. This past year has been one of continued growth and evolution for our company; we entered new markets and geographies, crafted new partnerships, introduced innovative products, and added talented new members to the Palomar team. I am pleased to say that our commitment to sustainability and citizenship and our efforts to incorporate ESG considerations into our operations have kept pace with the company's growth and moreover are proving instrumental in our evolution.

In this report, we will do three things. First, we will report on our progress on meeting the objectives we established in last year's report. Additionally, we will introduce you to selected initiatives and efforts to address climate change, social welfare, and diversity. Lastly, we will establish a new set of goals that the company pledges to meet in 2022.

In this note, I'd like to touch upon a few areas of particular importance to Palomar and our stakeholders.

OUR COMMITMENT TO ESG

We will report on our progress on meeting the objectives we established in last year's report.

We will introduce some of Palomar's initiatives and efforts to address climate change, social welfare, and diversity.

We will establish a new set of goals that the company pledges to meet in 2022.

GOVERNANCE

To demonstrate Palomar's commitment to ESG matters, we adopted several voluntary policies regarding the environment, labor relations and other matters. Moreover, we made a concerted effort to make these policies accessible through the launch of our **ESG portal**. Through the adoption of these policies, we join other signatory organizations, including many of the world's largest companies, looking to lead by example. We believe that it is every organization's responsibility to lead on matters of justice, fairness, and environmental stewardship, regardless of their size.

I'd like to highlight one specific policy, the company's investment policy statement, that best exemplifies our ESG focus. This year we signed the Principles for Responsible Investment, a series of commitments originally drafted by the United Nations. The principles require that signatories pledge to consider ESG concerns in all investment decisions – a commitment that is consistent with both our investment objectives and our company values. Palomar is going one step beyond this, however, by committing that no less than 1% of the company's overall portfolio be comprised of 'green' investments. This again is an industry best practice and one we are pleased to incorporate into our operations.

COMMUNITY RESILIENCY

Palomar is privileged to help our insureds rebuild their lives, businesses and communities after disaster strikes, and this partnership is at the heart of our values and mission. But many businesses and private properties remain uninsured or under-insured and therefore lack the capital to rebuild or replace their property. And, in too many instances, climate-related disasters destroy public utilities or other essential services, threatening public health and imposing terrible costs on citizens.

We believe it is crucial that companies like Palomar work with government entities and non-governmental organizations ("NGO") to ensure that communities hit by climate change can bounce back as quickly and safely as possible. For that reason, Palomar has become a National Partner of Team Rubicon, a military veteran-led NGO that provides relief and aid to communities affected by disaster. Team Rubicon works around the clock ensuring that food, supplies, electricity, communications, and other essential services reach communities that have been damaged or isolated by disaster. As a native of San Diego – a city with a long and proud naval heritage – I am particularly pleased to be partnering with an organization that utilizes the talents of our military veterans.

DIVERSITY

At Palomar, we believe that diversity is good business. I have seen first-hand how different perspectives contribute to success in the market, from product design to sales strategy to engage with diverse community stakeholders in the wake of a disaster. Accordingly, Palomar has continued to lead on the twin issues of diversity and equality.

The Palomar team has grown significantly since last year's report, and I'm pleased to note that we've done so while increasing the diversity of our workforce with respect to gender and ethnicity. Palomar considers diversity throughout the interview and hiring processes, and I am confident our diversity numbers will continue to improve as we expand and grow. Additionally, I am proud to say that with the addition of Daina Middleton, a great leader in digital marketing and technology with a distinguished career in Silicon Valley, to our Board of Directors, five of seven directors are women or members of an ethnic minority group.

CLIMATE CHANGE

The relationship between climate change and the severity of natural disasters is undeniable. As a leader in insurance for climate-change impacted risks such as flood and Hawaiian hurricane, we look to address climate change throughout our underwriting, loss control and business development processes. As an employer, we recognize a responsibility to do our part to build a more sustainable future.

In 2022 Palomar will perform a third-party validated assessment of our carbon footprint. While I anticipate our footprint will be relatively low, this data will provide us with a greater understanding of our environmental impact and identify areas where we can improve our results and in turn save energy. Moreover, a carbon footprint provides a benchmark from which Palomar can craft and adopt a plan to become carbon neutral, as many very large corporations have done in recent years. While it is premature to discuss the footprint or a plan for neutrality, I want you to know that Palomar will prioritize this initiative and I look forward to reporting back to you in one year's time.

In closing, I'd like to thank you for your interest in Palomar and our commitment to these important objectives. I look forward to another year of successfully serving our customers and helping to build a more sustainable, just future.

Mac Armstrong

Review of Goals

In our inaugural Sustainability and Citizenship Report. Palomar set several goals that we are pleased to report we have met in 2021.

GOAL 1:

Reduce our environmental impact through energy efficiency, water conservation and waste management.

In 2021, Palomar joined the **CEO Water Mandate**, the Mandate is a global compact of companies who have committed to measure their water usage, disclose those data to the public, and establish and execute a plan to conserve water. We look forward to communicating a plan for water efficiency once our internal investigations are completed.

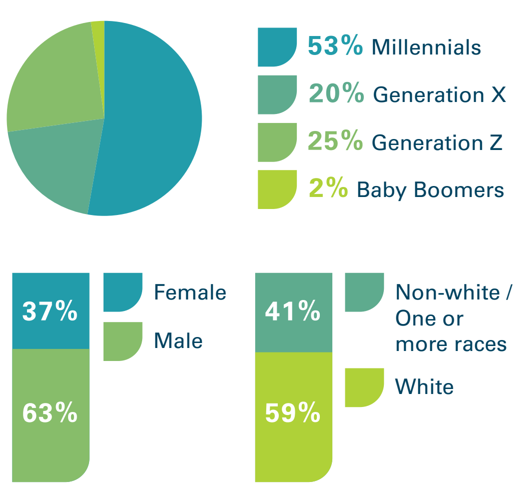
We're pleased to report that the company's efforts to eliminate single-use plastic continue to bear fruit. Palomar's investment in plastic-free water stations has saved 5.2 tons of carbon dioxide to date. Also, Palomar's commitment to a hybrid workforce has reduced the number of employees commuting to work by car. We look forward to measuring this savings as part of the measurement of our carbon footprint

GOAL 2:

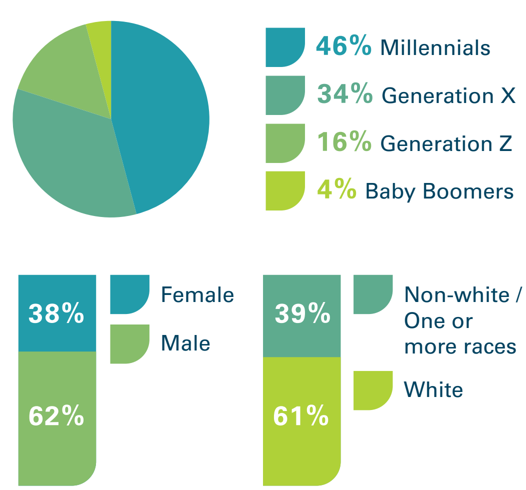
Increase the diversity of our workforce.

Palomar has continued to grow during the pandemic, increasing our workforce by 23% during 2021 as the company expanded into new lines of business such as fronting. We take diversity seriously, and thus we consider team diversity when interviewing and hiring for a new position. Our results in 2021 improved: 39% of team members identify as a member of an ethnic minority group (up from 37% in 2020).

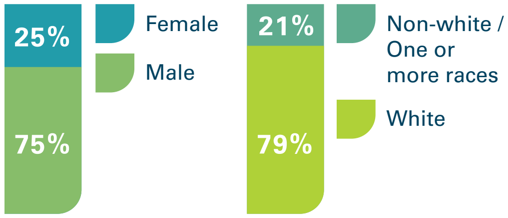
NEW HIRES IN 2021



TOTAL WORKFORCE 2021



LEADERSHIP ROLES IN 2021



TURNOVER IN 2021

GOAL 3:

Increase the diversity of our Board of Directors.

As mentioned in our CEO's note, Palomar's seven-member Board now includes three women in addition to two members of underrepresented minority groups. This level of diversity is consistent with industry best practices and legal requirements under California law.

GOAL 4:

Demonstrate our commitment to equality and social reform through volunteering and charitable contributions.

Palomar continues to increase its investment in strategic NGOs such as **Team Rubicon**. We will seek to partner with organizations like this whose mission is highly congruent with Palomar's mission and strategic plan. In addition. Palomar's Diversity, Inclusion, Community/Engagement and Equality committee (DICE) committee engaged with several important local and national philanthropies and campaigns.

GOAL 5:

Maintain our allocation of depository assets at Broadway Federal Bank of $10 million.

Palomar's partnership with Broadway Federal Bank, one of the nation's leading minority-owned banks, is an example of the partnerships we seek to foster with the communities we serve. We are pleased to assist Broadway in its efforts to create generational wealth for historically underserved populations.

Investing in Our Communities – Palomar and Team Rubicon

Palomar has become a sponsor of Team Rubicon, an innovative NGO that trains and deploys professional staff and volunteers to assist communities in the immediate aftermath of human and environmental crises, such as natural disasters. Through our partnership with Team Rubicon, Palomar is launching **'Palomar Protects'** – an innovative program whereby we devote a percentage of premiums for our catastrophe policies to Team Rubicon's recovery operations. Customers who rely on Palomar to protect their property and possessions will now know that insurance premium helps fund first responders who work in American communities – including, perhaps, their own.

Our roots are in catastrophe insurance. The company's first product protected consumers from earthquake damage and we have since expanded into flood and other climate-related risks. Our experience with natural disasters has helped shape our business philosophy and our approach to corporate citizenship. We see first-hand the devastation wrought by catastrophes, and we are proud to help our customers rebuild and resume their lives.

Insurers like Palomar are only one link in the chain of resilience which helps communities repair and recover after a crisis. We recognize the need to coordinate our activities with other links of the chain such as government, society, and NGOs such as Team Rubicon.

SOCIETY – MITIGATION

Palomar believes that every company has a responsibility to contribute to a more sustainable future. Accordingly, we will engage a third-party review of the company's climate footprint in 2022 and create a plan for carbon neutrality by a fixed date. Together we can help ensure that climate-related disasters like flood, fire and wind events are less frequent and far less damaging to American communities.

We also believe that climate and disaster considerations should inform and guide land use and zoning decisions by government agencies.

HOMEOWNERS - PREPARATION

Palomar encourages all Americans to take steps to protect their properties from natural disasters. We are proud to offer incentives to our customers for improvements and modifications to their property so that earthquakes, flood and wind events are less costly in both human and financial terms. Governments provide additional incentives and funds important programs that homeowners can draw on to mitigate risks to their properties.

NGOs – IMMEDIATE RECOVERY

In the immediate aftermath of an event, insurers engage with customers to begin the process of recovery. Governments may ask for a federal disaster declaration, triggering the public sector to allocate and disburse recovery funds to an affected community. But communities need relief immediately. NGOs and aid groups fill this breach and help clear debris, restore vital services and help displaced persons find food and shelter.

INSURERS – REPAIR AND RECOVERY

Insurers are a vital link in the resilience chain, providing home and business owners with the resources they need to rebuild after a catastrophic event. Crucially, the risks assumed by the private sector are costs that are NOT transferred to public funding sources. Uninsured and underinsured losses, by contrast, are ultimately borne by taxpayers or go unfulfilled.

GOVERNMENT – SUSTAINABLE DEVELOPMENT/RECOVERY

Before an event occurs, it is crucial that municipal officials understand the risks of climate-aggravated disaster and make responsible development choices, avoiding flood plains and areas at high risk of wildfire, for example. After an event, FEMA, the Congress, and state governments can make funds available to affected communities and individuals, but this process takes time – the one quantity that affected communities can ill afford. Still, the work of FEMA and state governments is critical to the restoration of public services and major reconstruction projects.

TEAM RUBICON® DISASTER RESPONSE

ABOUT TEAM RUBICON

Team Rubicon was founded and is led by US military veterans who apply their skills and training to a new type of service – helping communities heal. Its approach to disaster response is sophisticated and reflects lifetimes of experience in military planning and execution. Team Rubicon works directly with companies like Palomar to train employee volunteers in a 'boot camp' environment to ensure efficient deployments in the aftermath of disaster. Rubicon teams of 'grayshirts' clear debris, remove water and mud, and perform basic home repair and rebuilding duties.

As a National Partner to Team Rubicon, Palomar commits to support this vital work and reinvest in the communities in which we do business. Let's work together to ensure that every link in the chain of resilience is as strong as possible in every American community.

Spotlight on Governance

MARTHA NOTARAS
BOARD OF DIRECTORS,
ESG COMMITTEE CHAIRPERSON

Palomar recognizes that a real commitment to sustainability and citizenship requires more than good intentions. It requires a governance structure that includes 'ESG' matters in the company's daily operations.

Late in 2020, our Board of Directors established a standing committee devoted to ESG matters. Our committee meets regularly to review company efforts and provide guidance to team members. The establishment of an ESG committee is consistent with industry best practices and will help refine our programs and initiatives in the months to come. Our ESG Committee is led by Martha Notaras, a member of Palomar's board since November 2020.

We have also undertaken our first formal surveys of our investor base to better understand the role ESG matters play in their investment decisions. The results of this inquiry will deepen Palomar's understanding of the role ESG matters play in investment decisions and ensure that our programs and initiatives are responsive to the interests of our shareholders.

Lastly, Palomar has adopted policies and statements in 2021 that place the company among leaders in the property and casualty insurance industry. These materials can be found in the report's **appendix.** We will continue to model our company's governance program after industry leaders. Every company, regardless of their size and scope, has a responsibility to address ESG matters as part of its daily operations.

SKILLS	MAC ARMSTRONG	RICHARD H. TAKETA	DARYL BRADLEY	ROBERT E. DOWDELL	CATRIONA M. FALLON	MARTHA NOTARAS	DAINA MIDDLETON
Accounting and Finance	✓	✓		✓	✓	✓	✓
Corporate Governance	✓	✓	✓	✓	✓	✓	✓
Human Capital Management	✓	✓	✓	✓			✓
Insurance and Financial Services	✓	✓	✓	✓	✓	✓	
Investment and Capital Management	✓	✓	✓	✓	✓	✓	
Leadership	✓	✓	✓	✓	✓	✓	✓
Marketing and Brand Management				✓			✓
Risk Management and Reinsurance	✓	✓	✓	✓			
Technology		✓		✓	✓	✓	✓
DIVERSITY							
Male	✓	✓	✓	✓			
Female					✓	✓	✓
Members of Underrepresented Communities		✓	✓				
White	✓			✓	✓	✓	✓

The lack of a check mark for a particular item does not mean that the director does not possess that skill or experience. We look to each director to be knowledgeable in these areas; however, the mark indicates that the item is a particularly prominent qualification or characteristic that the director brings to the Board.

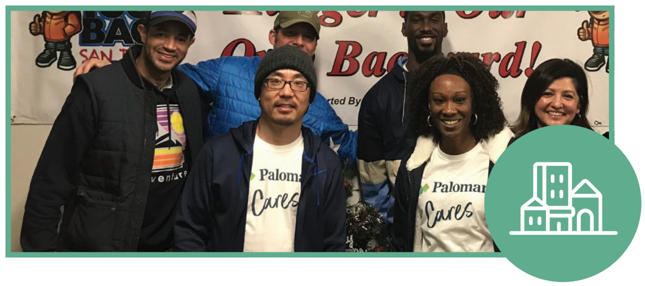
2022 Goals

Palomar is pleased to commit to the following new goals in calendar year 2021:

Palomar commits to conduct its first third-party assessment of the **company's carbon footprint**. This inquiry will establish a baseline from which Palomar can create and implement a plan for carbon neutrality, consistent with the needs of the business.

We will launch an initiative to measure and improve the **diversity of Palomar's suppliers**. This again is an industry best practice, and we look forward to communicating the results of our inquiry and a plan to source from an increasingly diverse set of partners.

We will **disclose new social KPIs** including data regarding Palomar's growing workforce. We will also continue to **survey our shareholders** and use those findings to adjust the company's programs and initiatives.



Palomar will **maintain our community relationships**, including an increase in our investment in Broadway Federal Bank, a leading minority-owned depository institution based in Los Angeles.

Through our relationship with Team Rubicon, Palomar will **deepen our investment in recovery efforts** after natural disasters. In addition to our support of Team Rubicon's vital work, we will **establish volunteer opportunities** for Palomar team members so that individuals might engage directly with communities struck by a catastrophic event. This goal is consistent with Palomar's mission to provide our customers with the resources they need to rebuild and rebound from disaster.

Learn more about Palomar's commitment to ESG

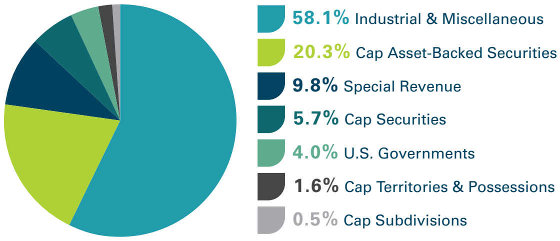
Appendix

Sustainability Accounting Standards Board (SASB) Index

<table>
<tr><th>TOPIC</th><th>CODE</th><th>ACCOUNTING METRIC</th><th>PALOMAR RESPONSE</th></tr>
<tr><td rowspan="4">Transparent Information & Fair Advice for Customers</td><td>FN-IN-270a.1</td><td>Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product related information to new and returning customers</td><td>While Palomar does not disclose this specific information, we disclose certain applicable material pending legal proceedings, other than ordinary routine litigation incidental to the business, as required by applicable Securities and Exchange Commission ("SEC") disclosure requirements in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q (collectively, “SEC Filings”).</td></tr>
<tr><td>FN-IN-270a.2</td><td>Complaints-to-claims ratio</td><td>While Palomar does not calculate a complaints-to-claims ratio, the National Association of Insurance Commissioners ("NAIC") publishes a Closed Complaint ratio.</td></tr>
<tr><td>FN-IN-270a.3</td><td>Customer retention rate</td><td>Palomar experienced premium retention rates of 87% in 2020 and 88% in 2019 overall across all lines of business. Our products demonstrate strong renewal rate trends, which we believe are an indication of the distinctive value we provide to insureds and which provide visibility into future earned premium. Additionally, see “Premium Retention Rates” under the Business section in our 2020 Annual Report on Form 10-K. We also disclose premium retention in our quarterly SEC Filings.

The following table show our renewal retention by product for the years ended December 31, 2020 and 2019:

<table>
<tr><th></th><th colspan="2">Year ended December 31,</th></tr>
<tr><th>Average monthly premium retention by product:</th><th>2020</th><th>2019</th></tr>
<tr><td>Residential Earthquake</td><td>93%</td><td>94%</td></tr>
<tr><td>Commercial Earthquake</td><td>83%</td><td>85%</td></tr>
<tr><td>Commercial All Risk</td><td>87%</td><td>89%</td></tr>
<tr><td>Specialty Homeowners</td><td>79%</td><td>74%</td></tr>
<tr><td>Hawaii Hurricane</td><td>97%</td><td>97%</td></tr>
<tr><td>Residential Flood</td><td>89%</td><td>89%</td></tr>
</table>
</td></tr>
<tr><td>FN-IN-270a.4</td><td>Description of approach to informing customers about products</td><td>While Palomar develops product communications in accordance with regulations set forth by state departments of insurance, we aim to go beyond regulatory requirements. Our insurance products are sold and marketed through partner independent agents, wholesale brokers and program administrators. As such, Palomar has limited direct communication with the prospective policyholder customers prior to issuing a policy. The agencies and brokers we work with directly inform customers about the policy coverage available. Therefore, we work closely with those agencies and brokers to ensure they are able to transparently provide appropriate education. These agencies and brokers spend extensive time communicating with customers and gathering information about customers’ needs. Once we receive a customer’s information, and if the customer meets our underwriting criteria, our underwriters provide a quote and payment plan options. If we need additional information after the policy decision has been made, we communicate with the agents and brokers to obtain additional information from policyholders. We invest in excellent customer service to provide clear and frequent communication with our agents, brokers and customers.</td></tr>
</table>

TOPIC	CODE	ACCOUNTING METRIC	PALOMAR RESPONSE
Incorporation of Environmental, Investment Management	FN-IN-410a.1	Total invested assets, by industry and asset class	For information with respect to our investment activities, including disclosures on asset class and asset ratings, see section "IV. Results of Operations—Investments" under Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2020 Annual Report on Form 10-K. **$422.3 Million Total Invested Assets, as of December 31, 2020** 
	FN-IN-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies	See Responsible Investment Statement.
Policies Designed to Incentivize Responsible Behavior	FN-IN-410b.1	Net premiums written related to energy efficiency and low carbon technology	Palomar is unable to measure or disclose this metric at this time.
	FN-IN-410b.2	Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors	See the "Climate Strategy" and "Disaster Preparedness & Response" sections of our ESG portal.
Environmental Risk Exposure	FN-IN-450a.1	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes	Palomar does not disclose this information at this time.
	FN-IN-450a.2	Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)	Palomar does not categorize catastrophic events as modeled versus non-modeled as we do not believe this categorization is meaningful to our business. For reporting purposes, Palomar defines catastrophe losses as certain losses resulting from events involving multiple claims and policyholders, including earthquakes, hurricanes, floods, convective storms, terrorist acts or other aggregating events. We report net catastrophe losses in our SEC Filings. The SEC Filings also include a discussion of reinsurance and the recoverables recorded.
	FN-IN-450a.3	Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy	Palomar considers the climate-related considerations relevant to our policyholders' location during our underwriting process and we analyze the potential impact to capital as a result of possible natural catastrophe events. See TCFD Index for additional information.
Systemic Risk Management	FN-IN-550a.1	Exposure to derivative instruments by category: (1) total potential exposure to noncentrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	As of December 31, 2020, Palomar had no derivatives outstanding.
	FN-IN-550a.2	Total fair value of securities lending collateral assets	As of December 31, 2020, Palomar had no securities lending reinvested collateral assets per Schedule DL filed with the NAIC.
	FN-IN-550a.3	Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities	See section "II. Financial Condition" under Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2020 Annual Report on Form 10-K.

Task Force on Climate-Related Financial Disclosure (TCFD) Index

Palomar recognizes that climate change is perhaps the most complex risk facing society today. As a specialty insurance company writing earthquake, wind, hail, hurricane and flood coverage, climate change directly impacts Palomar's business and insureds. In our corporate reporting on climate change, we apply and adopt the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"). The TCFD's four-pillar framework provides needed guidance on how climate-committed companies such as Palomar can disclose and address risks and opportunities in the changing climate.

GOVERNANCE

Disclose the organization's governance around climate-related risks and opportunities.

a) Describe the board's oversight of climate-related risks and opportunities.

Palomar's Board of Directors directly and through our committees oversee risk management policies and practices, including climate-related risks. In 2020, the Board of Directors established an Environmental, Social and Corporate Governance ("ESG") Committee that consists of Martha Notaras (Chairperson), Mac Armstrong, Daryl Bradley and Daina Middleton. The ESG Committee oversees and provides guidance on the company's strategies related to a number of factors, including environment, health and safety, corporate social responsibility, governance, sustainability and public policy matters relevant to our business.

Specific duties include:

- Assisting the management team in setting general strategy relating to ESG matters;
- Developing, implementing and monitoring initiatives and policies based on that strategy; and
- Overseeing communications with employees, investors and shareholders with respect to ESG matters.

In 2021, the Audit Committee established an Enterprise Risk Management ("ERM") Sub-Committee that consists of Daryl Bradley (Chairperson) and Robert Dowdell (member), and our Chief Underwriting Officer and Chief Risk Officer, who act as management participants. The ERM Sub-Committee is responsible for the following duties:

- Assisting in setting general strategy with respect to enterprise risk management, and to consider and recommend policies and practices that conform with the strategy;
- Assisting in overseeing internal and external material communications regarding our position or approach to enterprise risk management; and
- Assessing and monitoring the risk management framework employed to manage enterprise risks.

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

Palomar's Chief Underwriting Officer and Chief Risk Officer oversee risk management policies and practices, including climate-related risk. These executives consult climate data and other relevant information to guide the company's product development and business strategy.

Separately, our Chief Strategy Officer, Chief Legal Officer and Chief Talent & Diversity Officer guide ESG strategy and oversee the implementation of ESG initiatives.

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

a) **Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.**

Palomar recognizes that climate change has and will continue to affect the frequency, severity and geographical distribution of extreme weather events. Organizations such as the World Meteorological Organization (the "WMO") and the National Oceanographic and Atmospheric Administration (the "NOAA") have documented this dynamic in research that Palomar closely studies in developing its business strategies. Current climate models, such as the International Panel on Climate Change ("IPCC") model, which we use to help assess our risks, indicate physical climate-change risk will begin to rise more materially after the next two decades if left unmitigated.

As a specialty insurer whose products cover loss from hurricane and flood damage, Palomar is concerned about a continuation of this trend over the long term. We believe over the short term, natural climate variability will have a greater impact on natural catastrophe losses than the long term trends identified by the WMO and NOAA. To accommodate the evolving nature of climate risk, we consider both near-term (three to five year) and long- term (five to ten year) time horizons, with the long-term view used as a basis to develop mitigation strategies. Overall, we consider the near-term climate-change-related risks to be manageable and foreseeable, whereas long-term risks are elevated and highly uncertain. A worsening disaster footprint could influence company decisions regarding the mix of products we sell to consumers and could also impact the features of individual products.

b) **Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.**

Palomar is exposed to physical risk of climate change through the underwriting of personal and commercial property risks. While assessing and managing the impact of extreme weather events is part of our core business competency, changes in frequency and severity of events caused by climate change add to the challenges in accurately measuring expected impacts. There is also a risk that physical events reduce the profitability of investments across asset classes (e.g., equities, or corporate bonds), though analysis suggests that very significant impairments would be required for Palomar's portfolio to be materially impacted. Palomar considers the risk to our own operations from climate risk as less material, as we are generally not located in highly exposed areas and business continuity plans are in place to react to relevant extreme weather events.

As an innovative insurer, Palomar is positioned to provide climate change-informed products and services which enable existing and prospective customers to better understand and manage their exposure to climate risks. We also invest in community resilience through both the provision of property insurance and through investments in non-governmental organizations ("NGOs") such as Team Rubicon who assist communities rebuild in the immediate aftermath of catastrophic events. As a leading provider of insurance solutions for earthquakes, hurricanes, floods and other perils exacerbated by climate change, we see an opportunity to lead our industry and partner with private and public stakeholders to build a more sustainable, secure future.

c) **Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**

Each major economy is likely to respond to transition risks in specific ways, and within different time periods. Shifts toward a low-carbon economy carried out in specific sectors are likely to affect not only those individual sectors, but other parts of the economy as well. There are at least three aspects to consider within this transition process: effect on technologies, economies, and society. The insurable risks related to these transitions could develop in many ways.

Achieving a transition to a low-carbon economy requires fundamental changes to all parts of the economy. While limiting climate change to 2°C or below will lower physical climate risk, the technological and policy changes required to achieve this create their own sets of risks.

Independent of the precise pathway, the transition could be disruptive, as significant asset price moves are required to shift resources to low-carbon technology on a global scale. Changes in public perception and the regulatory landscape could reshape legal and reputational risks.

Transition risks are more uncertain than physical risks. We use a climate scorecard to measure transition-risk-related indicators, with the assessment indicating that a physical risk path currently is significantly more likely than a transition path. However, transition risks and physical risks are not mutually exclusive and can potentially co-exist, depending on the timing, speed and effectiveness of the path followed.

RISK MANAGEMENT

Disclose how the organization identifies, assesses, and manages climate-related risks.

a) **Describe the organization's processes for identifying and assessing climate-related risks.**

Palomar's economic model is closely tied to our coverages for natural disasters and catastrophes. We believe the existing scientific consensus that man-made changes to climate conditions are leading to increases in sea levels and global temperatures, and that the severity and frequency of weather-related natural disasters may increase relative to historical experience. We believe that this increase in severe weather, coupled with currently projected demographic trends in catastrophe-exposed regions, contributes to factors that will increase the average economic value of expected losses, increase the number of people exposed per year to natural disasters and in general exacerbate disaster risk, including risks to infrastructure, global supply chains and agricultural production. In addition to the impacts that environmental incidents have on our business, changes to law and regulation related to climate change could also directly affect our business, including state insurance regulations that could impact our ability to manage property exposures in areas vulnerable to significant climate driven losses, and possible new requirements that insurers integrate the financial risk of climate change into business operations and governance. Additionally, The ERM Sub-Committee, which is guided by the Own Risk and Solvency Assessment ("ORSA") model developed by the NAIC, is ultimately responsible for assessing and monitoring our risk management strategy and framework.

From an underwriting standpoint, we carefully consider the development and deployment of insurance products in coastal areas that may be impacted by rising sea levels, and we incorporate scenarios into our catastrophe modeling that involve elevated sea surface temperatures and other relevant data. As part of our risk management practice, we use third-party vendor catastrophe modeling tools to help estimate our exposure to weather risk by line of business, as well as on a per-occurrence and aggregate basis. Our modeling process generates exceedance probability curves and we evaluate our modeled net retained weather risk against specific probable maximum loss ("PML") return periods.

b) **Describe the organization's processes for managing climate-related risks.**

Climate change could have an impact on the frequency and severity of weather-related events in the areas where Palomar provides hurricane and flood coverage. In consideration of these risks, we have instituted certain underwriting guidelines and criteria to mitigate our risk and we have employed a robust reinsurance program to address and mitigate our risk of a material climate change impacting business. We partner with catastrophe modeling companies AIR Worldwide ("AIR") and Risk Management Services ("RMS"), whom both leverage the latest IPCC model, to evaluate climate-related risks to our core underwriting portfolio. We also leverage data from the National Weather Service and the National Hurricane Center to ensure we are evaluating the most relevant data in our respective markets.

While Palomar is honored to offer insurance products that provide resilience after disaster strikes by helping our policyholders rebuild their homes and businesses, we are also mindful of the need to reduce the severity of events through more responsible climate management. Accordingly, with respect to our office activity, mobile combustion and business travel, we continue to work on reducing our environmental impact. We offer our team a hybrid work environment that not only addresses our team members changing needs, but also has the added benefit of reducing our carbon footprint. Additionally, for a portion of our residential inspections, we use a leading photo and video verification platform, which reduces our carbon footprint by eliminating the need to send an inspector to each unique location. Palomar will conduct a third-party validated study of our climate footprint in 2022 and report back to our stakeholders with that data and a plan to achieve carbon neutrality by a date certain.

c) **Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.**

Palomar regularly and continually reviews, monitors and assesses catastrophe model literature, papers and publications for potential effect on our business. Tests using computer simulations are conducted to assess the effect of climate changes on Palomar's business and policyholders. The weather-related computer models allow us to assess our concentration of risks, claims frequency and product pricing to ensure consumer confidence in our ability to respond to catastrophes as they develop. Our reinsurance brokers also assist in assessing how climate change may affect our business.

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a) **Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.**

Palomar is in the process of identifying key performance indicators ("KPIs") to track and ensure improvement in the mitigation of operational and investment related risks. As is stated above, Palomar has initiated a work from home initiative due to the COVID-19 virus stay at home orders and plans to continue to have a work from home option to reduce commute time and vehicle emissions. We have also implemented a largely paperless environment. Where allowed we issue policies via email through PDF files and avoid the printing and re-printing of policies, amendments, endorsements, billing statements, etc. Internally, communication is via email and records are kept in paperless form. When we do need to print, we utilize dual side printing. We use energy saving light bulbs, and our lighting and electrical systems use motion sensor technology to automatically turn of electricity when not needed. We have also installed web conferencing technology to reduce the need to travel from office to office.

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

Palomar will conduct a third-party validated study of our climate footprint in 2022 and report back to our stakeholders with those data and a plan to achieve carbon neutrality by a date certain.

c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Palomar regularly consults predictive studies and analyzes disaster patterns after disaster events, allowing us to make the appropriate changes to our underwriting portfolio and business strategy.

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