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.

RESPONSE TO GOVERNANCE:

First Community's Enterprise Risk Management Committee meets quarterly to evaluate all risks facing the company, including the catastrophic and weather-related risks. First Community recognizes that climate change is expected to alter hurricane frequency and severity, a risk to which First Community is exposed. First Community works closely with its reinsurance broker to regularly review its exposure using state-of-the-art catastrophe models to predict hurricane activity and exposure. First Community' uses these modeled loss distributions to purchase reinsurance to meet rating agency expectations and reduce risk to internal thresholds. Consequently, First Community's structure reflects the most recent information about hurricane activity, including information related to climate change. Although there is a long timescale to climate change, First Community has employed an annual evaluation of risk and management strategy. This, coupled with the flexibility afforded by the relatively short-term policy periods for most products, enable First Community to appropriately respond to climate change impacts as they become known. First Community' is rated B+ by A.M. Best and the company believes that this robust capital structure, combined with the company's conservative reinsurance program and relatively short policy terms provide a substantial cushion against any foreseeable financial impact from even worst-case catastrophic events. First Community does not have a formalized climate change policy. However, the Executive and Enterprise Risk Management Committees meet regularly to assess all known and emerging risks to the business, including those associated with climate-related exposures. First Community has a robust business continuity plan for all business units that is regularly evaluated and tested to ensure operational functionality in the event of severe weather. The products offered are typically written for one-year periods, which permits the company to respond quickly to changing exposures—including climate-related exposures—and implement corresponding pricing changes or underwriting limitations. First Community also contemplates climate change impacts, among myriad other considerations, when determining the appropriate investment mix and risk profile for the company.

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.

RESPONSE TO STRATEGY:

First Community's insurance products are typically written for one-year policy terms, which allows the company to adjust its pricing and underwriting guidelines to respond quickly to emerging risk scenarios. First Community also monitors exposure accumulations to catastrophes and implements restrictions based on distance-to-coast, among other factors related to climate-based risk that mitigate risk. The catastrophe models used by the company reflect "Near Term" or "Warm Sea Surface Temperature" event frequency, which provides recent climate and frequency of hurricane formation data, to the extent that the average hurricane frequency and associated losses are above the long-term average. First Community has not yet seen an impact from climate change sufficient to materially impact underwriting decisions but uses these tools to monitor the risk presented by severe weather events. Based upon current scientific understanding, the company anticipates that the most likely long-term product impacts will be seen in the coastal areas bordering the Gulf of Mexico and Atlantic Ocean because of more frequent hurricanes, flooding, hail events, and tornadoes. First Community regularly uses its modeled data to evaluate its geographic risk concentration and exposure and makes appropriate underwriting adjustments as needed. First Community has not taken any direct steps to engage key constituencies on the topic of climate change. However, as a member of APCIA and NAMIC, First Community both supports and relies heavily on these organizations' skills and expertise in addressing climate change efforts. As of December 31, 2023, 96.2% of First Community fixed income investments are investment grade bonds, including an allocation of approximately 16% to government bonds, and 5% allocated to domestic equities. First Community anticipates that emerging markets (EM) are going to be more severely *impacted by climate change and First Community is well-positioned for that change with no investments in EM. Additionally, First Community has no investments in volatile industries such as coal or any other mining industry, and very limited exposure in the energy sector. First Community has limited its traditional energy investments to pipeline assets (3% allocation) rather than those tied to exploration or the refining part of the industry.*

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.

RESPONSE TO RISK MANAGEMENT:

First Community utilizes catastrophe models to determine the extent of plan for & measure weather related events. Consideration is given to climate change to the extent that it is considered by the third-party models that First Community uses to review "warm sea-surface temperature" or "near-term" views in these models to provide correlation to historical trends. First Community considers modeled and historic loss trends to determine reinsurance structure and attachment/limit and incorporates these factors into our risk management strategies. They are also used to determine levels of reinsurance and capital requirements to meet claims needs, pricing adequacy for catastrophic costs and to set guidelines to mitigate catastrophe exposures. Most catastrophe models today are approved by regulators and are generally developed using the latest weather and climate data and science, tested by meteorological, engineering, computer science and actuarial experts. The models often create alterations that account for perils where they believe future losses may deviate substantially from historical trends, specifically for Hurricanes. In these cases, First Community considers the potential impact on the catastrophe loss distributions shown by these models. First Community also takes into consideration different assumptions of hurricane frequency and severity to match both the historic and the potential future hazard trends to test the impact of climate change on loss distribution. In addition to assumption sets created by model vendors, First Community models scenarios of past severe events to determine the impact of prior storms on the current portfolio. Finally, First Community considers deterministic scenarios to identify the potential impact of a worst-case scenario across its portfolio. The results of these stress tests are evaluated when deciding the best risk management strategy for the company, reinsurance purchases and growth plans and projections. Property insurance is an annual product; therefore, pricing underwriting and reinsurance and risk management strategies must evolve over the course of the year to match the changing market and climate environment. As such, First Community considers our view of risk as informed by the catastrophe models, to represent the most up-to-date view of the current environment for catastrophe events that may impact the portfolio. Consequently, the effects of climate change are accounted for on an ongoing basis, as the potential effects become known.

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.

RESPONSE TO METRICS & TARGETS:

First Community encourages policyholders to reduce potential losses caused by climate change-influenced events by offering rate discounts based on wind mitigation for many products, including commercial residential lines. These discounts are based on the presence of wind mitigation and construction features that reduce the severity of loss, such as age of roof, roof shape, roof covering, and shutters. Adherence to the building code by state is also reflected in the wind mitigation credits or in the rating algorithm for states that do not offer wind mitigation discounts. First Community provides discounts or underwriting initiatives that educate insureds through communications either directly to the policyholders or through our agents. First Community also utilizes social media platforms (Facebook, Twitter, etc.) to relay information regarding claims reporting and safety tips to a broader audience.

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