More than a policy. A promise.

FCCI Insurance Company - 2023 NAIC Climate Risk Disclosure Survey

Governance	**1. Disclose the insurer's governance around climate-related risks and opportunities.** **A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.** Although the company does not have a written climate change policy in place, FCCI does recognize that climate change has the potential to impact our company, the risks we insure, and our investment returns. Climate-related risks are integrated within FCCI's Enterprise Risk Management (ERM) process. Risks are identified, evaluated and monitored for all of the insurers at the group level. FCCI's Board of Directors oversees the company's ERM practices and strategies, which includes the company's environmental, social and governance (ESG) approach. The Risk Officer is responsible for the implementation and oversight of the company's ERM framework. The Risk Officer regularly reports to the Board of Directors on key risk matters and meets quarterly with the ERM Committee to discuss risks that could have a material impact on the company. The ERM Committee is comprised of members of the company's Senior Management, as well as the Risk Officer and ERM team. ERM Committee members are responsible for risk evaluation, reporting and communication to key constituents of the company. **B. Describe management's role in assessing and managing climate-related risks and opportunities.** Senior Management is responsible for understanding relevant and material risks and ensuring risk mitigation practices are implemented throughout the organization and within their respective business units. They are responsible for assisting in identifying risk and defining a corporate risk profile, including developing risk indicators and risk management objectives that support overall corporate goals.
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.** **A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.** FCCI Insurance Group operates in in the Mid-Atlantic, Southeastern, Gulf Coast, Midwest and Southwest United States. A catastrophe occurrence, destructive weather pattern, or change in climate condition affecting one or more of the states or regions in which we operate could adversely affect the results of our business. For example, FCCI is most likely to be affected by hurricanes in the states located across the gulf coast and eastern seaboard; and by tornadoes in many of the central states in which it writes. Possible impacts include business interruption for FCCI, our agents and/or our policyholders; pricing inadequacy and an erosion of surplus

	due to the difficulty in predicting these risks; a negative impact on company resources due to regulatory activity; and a reduction in the company's investment portfolio and/or assets. FCCI monitors weather and weather patterns, news events, and communications from local, state and federal government regarding climate change and analyzes this information along with other actuarial data to determine our policyholder mix, reinsurance needs, capital allocation, investment portfolio and other decisions regarding risk and investment management. In addition, FCCI monitors the activity of the NAIC Climate Risk and Resilience Working Group and evaluates and discusses issues related to climate change, as necessary. The primary potential impact could be from an increasing frequency of insurance loss events due to weather. We utilize risk-based models that help FCCI identify expected Average Annual Losses (AAL) and Probable Maximum Losses (PML). The outcomes from these models are used to help the company manage its risks and guide our annual operating plans. Another potential impact could be from an increase in insurance loss severity. The company monitors exposure management and exposure pricing, and if severity increases beyond base estimates, the company is able to adjust pricing to reflect updated trends. We use third party computer modeling of RMS and AIR to inform reinsurance buying decisions as well as pricing of large property risks, and to manage the company's exposure to catastrophic events. We have not identified any short, medium, or long-term risks or opportunities related to gas or carbon emissions. The company does not insure businesses that engage in energy exploration, extraction or refining operations. The company also does not insure businesses that are directly involved in alternate energy production such as wind or solar. There are no plans to enter either of these segments in either the short or medium time frames. **B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.** Although FCCI is not aware of any industry standard on how to measure the impact of climate change on the investment portfolio, management nevertheless monitors investment exposure to climate change via a "Climate Change Stress Test" that can be periodically run on the company's investment grade portfolio. In addition, FCCI monitors the Morningstar "Sustainability & Carbon Metric" scores of its equity investments on a quarterly basis. The company's quantifiable risks, including its exposure to weather-related catastrophes, and potential impact on the company are also assessed through the use of a proprietary model. The Model provides insight for both normal and stressed environments. The Model is re-calibrated from time to time based on inputs from the company's annual planning process and third party statistical distributors, including equity markets and weather related catastrophes. **C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.**

	We have not currently estimated the impacts of a 2 degree Celsius change in these models.
Risk Management	**3. Disclose how the insurer identifies, assesses, and manages climate-related risks.** **A. Describe the insurers' processes for identifying and assessing climate-related risks.** At least annually, FCCI analyzes insurance, investment, operational and technology risks that could potentially affect the company. These risks are assessed as part of the ERM program through a variety of methods, including risk modeling. As part of our risk management process, catastrophe risk exposures are evaluated regularly. The financial impact of potential catastrophes is modeled under various scenarios, as noted above, and reinsurance is purchased accordingly. Even though the company does not document specific climate change-related risks in its risk register, understanding and managing the overall impact of these types of risks is incorporated into our mitigation efforts. The company bases its investment decisions on qualified investment counsel. Market data and trends, as well as the investment counsel, are incorporated into the company's risk management framework, which is designed to reasonably mitigate relevant risks affecting the organization, including the risk of weather-related events and natural disasters. The company believes that its investment strategy reasonably mitigates the investment risk exposure to weather-related events and/or natural disasters. **B. Describe the insurer's processes for managing climate-related risks.** The company bases its investment decisions on qualified investment counsel. Market data and trends, as well as the investment counsel, are incorporated into the company's risk management framework, which is designed to reasonably mitigate relevant risks affecting the organization, including the risk of weather-related events and natural disasters. The company believes that its investment strategy reasonably mitigates the investment risk exposure to weather-related events and/or natural disasters. The company performs ongoing evaluation and implementation of rates that take into account climate trends, catastrophic losses and reinsurance costs; and application of underwriting requirements that address risks related to construction, occupancy and protection in geographical areas prone to climate and weather related losses. The company also manages its aggregate exposure from severe storm-exposed premium and policy counts. Hurricane computer models, predictive modeling and analysis of actuarial data as well as monitoring of climate studies are used to make these selections and determinations.

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	FCCI mitigates the risks posed by climate change to our physical properties by maintaining a home office building that can withstand extreme weather conditions, as well as leasing space in highly rated buildings in our regional offices. We continuously identify and implement strategies designed to allow us to operate our facilities in the most efficient manner. To mitigate the impacts to our operations from weather-related events, we purchase property catastrophe reinsurance, utilize an established Business Continuity Plan, and maintain both a geographically separate hot site data center as well as off-site back-ups for all servers and computers. **C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.** Even though the company does not document specific climate change-related risks in its risk register, understanding and managing the overall impact of these types of risks is incorporated into our overall risk mitigation efforts.
Metrics and Targets	**4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.** **A. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.** The company has not adopted formal metrics specific to climate change risks and opportunities. **B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.** The company has no financed carbon emissions. **C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.** The company does not measure or assess carbon emissions and greenhouse gases or those vulnerabilities to business lines, sectors or geographies.