Climate Risk Survey

Transverse Insurance Company, NAIC 21075

1. **Governance**: 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 climate-related financial risks.

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

Response to Governance

The Company and its affiliated U.S. domestic companies are part of a global insurance group called MS&AD Insurance Group Holdings, Inc. ("MS&AD").

MS&AD has issued a Climate-Related Financial Disclosure report that follows the disclosure guidance provided by the Task Force on Climate-related Financial Disclosures ("TCFD"). The report goes into details about the MS&AD climate-related governance structure of Board of Directors, Group Management Committee and Task-Specific Committees. The report is available on the MS&AD website as of the date of this filing.

The Company recognizes that climate change has a significant impact on society and on us. The Company is committed to furthering the goals noted by the TCFD to move towards a decarbonized society and are guided by MS&AD's numerous initiatives towards that end.
The Company maintains a robust system of governance as regards climate change issues. This governance system is comprised of a Board of Directors ("Board") and an Enterprise Risk

Management ("ERM") Committee, a Board level committee. Additionally, the Company and individuals in the committee or on the Board work to stay abreast of climate change related issues, their potential impact on the Company, and provide guidance to the Board as to climate-change related issues, risks and opportunities.

The ERM Committee meets four times a year and consists of several board members and its actions and decisions are reported to the Board.

2. **Strategy:** 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 1-5years as short term, 5-10years as medium term, and 10-30years 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

The Company approaches climate change as an ERM issue, with direct involvement of the Board of Directors and Senior Management.

The Company has reviewed its portfolio of risks to determine that the main focus for its strategy to evaluate and address the actual and potential impacts of climate related risks and opportunities is catastrophic weather events, underwriting discipline and investment decisions.

Catastrophic weather events: The Company engages in numerous modeling analyses to evaluate such events and attendant risks. The modeling permits the Company to assess the likelihood and severity of modeled events spanning several time horizons. Modeling results inform the Company’s risk management for catastrophic weather events, types and concentration of risks and implementation solutions, such as reinsurance, as appropriate. All fixed location property risks at the Company are modeled individually and at the portfolio level. Portfolio results are further segregated geographically to support accumulation management, as well as monitoring shifting in results for the portfolio. The modelling is conducted monthly and quarterly for various purposes using the full suite of models provided by a third-party modeling company. Model settings are adjusted to account for near-term increases in severe weather frequency and resultant inflationary impacts. In addition, model results are monitored per event and in aggregate, compared to actual empirical results for accuracy, and adjusted where deemed appropriate.

The company makes extensive use of reinsurance and buys protection from both individual events and multiple event scenarios to a minimum 1-in-200 year return period scenario, and higher where deemed appropriate.

Underwriting discipline: The Company has adopted specific standards for underwriting when deciding types of risks to insure. With respect to climate-change related risks, the Company has decided not to write insurance policies for coal fired power plants or coal mines.

Investments: The Company has adopted an Investment Policy to prudently invest capital in compliance with applicable state investment laws for insurance companies. With respect to climate-change related risks, the Company has decided not to invest in coal fired power plants or coal mines. In addition, the Company’s third-party investment manager assigns an ESG risk factor score to each investment in its coverage universe which is incorporated into the fundamental analysis required for each security considered for the Company’s portfolio. This ESG framework is monitored and provides a consistent evaluation of the ESG characteristics across the portfolio.

The Company strategically reviews its office space needs and operations including conservation and reduction measures where possible. Staff that live 50 miles or more from an office are permitted to work remotely. Staff that work within 50 miles of an office are currently permitted to work three days per week in offices and two days per week from home, further reducing the Company's emissions. Conservation and reduction measures include the exploration of reduction measures such as review of paper consumption and replacement with more electronic communication, measures to reduce fuel usage across company cars by exploring the use of fuel-efficient vehicles, and ensuring electricity and water use is conserved. The Company strives to lease office space where the building has replaced common area, parking lot and emergency/life safety lighting, as well as the entire office space of the largest tenant with LED lighting. Also, where such facilities are equipped with state-of-the-art air purifiers and water conservation is addressed at the facilities through the use of automatic flush toilets, sink sensors, low flow faucets and toilets, and rain sensors installed on the property's irrigation system to prevent unnecessary watering.

Climate change is included as part of the Company's catastrophe management plans for insured loss potentialities. Climate change is also addressed as part of the Company's disaster planning via business continuity plans including systems recovery.

The Company's ultimate parent, MS&AD Insurance Group Holdings, Inc., has pledged to not undertake projects related to the construction of new coal-fired power plants or underwrite or invest in companies that manufacture controversial weapons, such as cluster munitions, which are inhumane weapons. Coal fired power plants, coal mines (that produce thermal coal), and controversial weapons are excluded from underwriting. They are also excluded from investment strategies. Ongoing review is taking place to similarly exclude from underwriting and investment oil sand mining, oil and gas extraction in the Arctic region, projects with negative impact on UNESCO World Heritage Sites or Ramsar-listed wetlands that may have negative impacts on the environment and local communities, and business which may violate human rights of indigenous people or local communities. The Company will adhere to all its ultimate parent company's investment strategies in this regard to further the transition to a low carbon economy.

3. **Risk Management:** 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

The Company believes that climate-related risks may exacerbate or diminish operational risks, thus the importance of holistically seeing climate-related risks as part of monitoring and addressing other operational risks.

The Company makes informed decisions when identifying and assessing climate-related risks. Such risks themselves do not appear to be material to the Company. Materiality may change over time as the Company grows, offers different types of insurance products, acquires a different portfolio of clients or as climate change related risks develop.

The Company engages in a robust catastrophic modeling program to identify and evaluate weather-related risks, as mentioned in Question 2, above. The Company engages in numerous modeling analyses to evaluate such events and attendant risks. The modeling permits the Company to assess the likelihood and severity of modeled events spanning several time horizons.

Modeling results inform the Company's risk management for catastrophic weather events, types and concentration of risks and implementation solutions, such as reinsurance, as appropriate. All fixed location property risks at the Company are modeled individually and at the portfolio level. Portfolio results are further segregated geographically to support accumulation management, as well as monitoring shifting in results for the portfolio. The modelling is conducted monthly and quarterly for various purposes using the full suite of models provided by a third-party modeling company. In addition, the evaluation of these risks through the modeling analysis guides the types and quality of the reinsurance programs that the Company will purchase as a result.

The Company has reviewed its portfolio of clients and their insurance risks to determine that transition risk presents an immaterial risk to the Company. Part of this analysis included a review of the Company's portfolio of directors' and officers' liability policies.

In addition, the Company utilizes the processes outlined in the Governance Question 1, above, to identify, assess, and manage climate-related risk, and develop execution plans where necessary to implement strategy. The Company maintains a robust governance system comprised of a Board of Directors ("Board") and Enterprise Risk Management ("ERM") Committee. Additionally, the Company and individuals in a committee or on the Board work to stay abreast of climate change related issues, their potential impact on the Company, and provide guidance to the Board as to climate-change related issues, risks and opportunities.

The Company will continue to support sustainable development by providing insurance services designed to reduce damage and loss incurred in client activities due to abnormal weather stemming from climate change, and by developing products/services that help advance the transition to a decarbonized society.

4. **Metrics and Targets:** 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 and Targets

The Company supports the efforts of its ultimate parent, MS&AD Insurance Group Holdings, Inc. ("MS&AD"), to disclose climate-related risks on behalf of the entire insurance group to constituencies. The MS&AD Insurance Group has announced a goal to reduce the environmental burden accompanying its business activities with a target at 70% reduction by FY2050 using FY2009 as a benchmark year; endorsing the Task Force on Climate-related Financial Disclosures ("TCFD") and promoting the disclosure of financial information; creating shared values to mitigate the effects of climate change, providing services and research related to climate change risk assessment and analysis, including a climate risk analytics service for predicting multi-hazard risks such as floods and windstorms caused by climate change; providing insurance and consulting services in addition to developing and providing products that reduce environmental burden, to name but a few awareness and change initiatives. Information of which can be found on the MS&AD website.

The Company's primary metric for evaluating climate change related risks is the use of catastrophe modeling software. The Company engages in numerous modeling analyses to evaluate such events and attendant risks. The modeling permits the Company to assess the likelihood and severity of modeled events spanning several time horizons. Modeling results inform the Company's risk management for catastrophic weather events, types and concentration of risks and implementation solutions, such as reinsurance, as appropriate. All fixed location property risks at the Company are modeled individually and at the portfolio level. Portfolio results are further segregated geographically to support accumulation management, as well as monitoring shifting in results for the portfolio. The modelling is conducted monthly and quarterly for various purposes using the full suite of models provided by a third-party modeling company. The evaluation of these risks through the modeling analysis guides the types and quality of the reinsurance programs that the Company will purchase as a result.

Scope 1 emissions are direct greenhouse gas emissions that occur from sources that are controlled by an organization. Examples of Scope 1 emissions are hot water boilers, furnaces for heat or vehicle emissions. Scope 2 emissions are indirect greenhouse gas emissions associated with the purchase of electricity, heat or cooling. Staff for the Company only work in office buildings or remotely at home. Total office space across the United States is equal to approximately 12,000 square feet. Accordingly, the Company believes Scope 1 and Scope 2 emissions are immaterial to the Company's operations.