

Clear Blue Insurance Company

California Climate Risk Survey 2024

Reporting Year 2023

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:

Clear Blue Insurance Company (the "Company," "we," or "our"), a Texas-domiciled insurance company, does not have any publicly stated goals related to climate-related risks and opportunities at this time. However, climate risk is considered an emerging risk area in our overall Enterprise Risk Management ("ERM") program. Our ERM is a critical and continual process, and emerging risks are a crucial part of that effort. Climate change, including its financial implications, is one of many risks we assess and manage regularly. When appropriate, it may result in specific actions in the future as necessary and feasible.

The Company will continue to work on implementing a strategic approach to managing climate risks that consider both current and forward-looking risks and identify actions required to manage those risks proportionate to our business's nature, scale, and complexity.

The Company has a Risk Committee at the holding company level that focuses on identifying, managing, and minimizing risk both from internal operations and external with our various insurance programs and partners. This is done with continual assessment and identification of current and emerging risks, maintenance of an ERM program with a comprehensive risk register and using dedicated internal risk-focused personnel. The Company's Board of Directors at the holding company level is discussing designating the Chief Risk Officer who would be responsible for the Company's climate risk management, overseeing the financial impact of climate risks, reporting any activity to the Executive Committee at least annually, and developing policies regarding risk appetite for the Company.

The Risk Committee reports its continued assessment and management of climate-related risks and opportunities to management. Management reviews the comprehensive risk register at least annually for their specific department for any necessary updates.

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:

The Company writes homeowner insurance policies in both coastal areas and inland areas and is subject to losses from hurricanes, convective storms, and other climate-related weather events. To mitigate the financial impact of a hurricane and other storms on the Company, it purchases excess and catastrophe reinsurance from AM Best "A" rated carriers. The Company provides a valuable product in an underserved market subject to climate risk and weather events. The Company continues to monitor our geographic concentration and product risks associated with climate change and formulate policies in this regard when warranted.

The Company has considered the possibility of a climate change-related impact on its investment portfolio. Our investment committee considers green energy investments and contemplates transitional risks involved with the investment portfolio and the impact of weather events on the portfolio.

In terms of our facility, the Company is committed to energy and emission-saving measures, including:

- ***use of energy-saving light bulbs where possible***
- ***use of instant hot water device in the office kitchen***
- ***use of solar shades on office windows***
- ***use of kitchen water filter in office and reusable stainless steel water bottles instead of plastic water bottles***
- ***use eco-friendly cleaning supplies***
- ***permitting remote access/working from home when feasible***
- ***reducing the use of individual electronic appliances***
- ***use of Energy Star-rated business machines***
- ***installation of automated HVAC system controls for efficient use of electricity***
- ***installation of motion-detected lights for the entire office for energy savings***
- ***mostly paperless office; printing two-sided if printing is necessary***
- ***reusable kitchen utensils instead of paper products***
- ***active recycling system, including but not limited to recycling cardboard, plastics, paper and metals***
- ***video conferencing with business partners, when possible, instead of traveling to them.***
- ***encouraging employees to take mass transit to commute to work by offering a stipend for commuters***

The Company will seek out and implement other measures as appropriate in the future.

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:

The Company is taking a balanced approach to managing climate risks that reflect and are consistent with the structure, strategy, scale, and complexity of our business. The Company's size, complexity, geographic distribution, business lines, investment strategies, and other factors are considered in our approach. Regardless, the Company will analyze our climate risk on our balance sheet's underwriting and investment sides. The most significant risk to the Company's underwriting portfolio is a hurricane loss from climate-related exposures. As previously mentioned, the Company manages this risk by purchasing an appropriate amount of catastrophe reinsurance.

The Company carefully considers the financial implications of weather-related events on the Company's results. For our catastrophe-exposed insurance business (hurricanes, windstorms, tornados, flooding, etc.), the Company utilizes third-party computer modeling to assess the risk of wind, water, and fire-driven catastrophic events and their effect on the Company's policyholders and the Company itself.

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:

The Company remains aware of potential business environment changes / risks and strategically addresses these risks. The Company will consider which business areas are exposed to physical and transitional risks; the materiality of the risks; whether affected areas should be continued, scaled back or adapted; and whether climate risks require consideration across all business areas and processes based on their materiality, or only those business areas and processes that are particularly exposed. The Company will use scenario analysis and stress testing, where qualitative research determines that climate risks are potentially material. The Company will to the extent possible, set and monitor clear key performance indicators for quantifiable risk factors.

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