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.

<u>Governance Response</u>

The Enterprise Risk Management (ERM) Committee is responsible for the overall risk management plan, governance and oversight of all climate-related risks as part of the overall corporate risk management strategy. This strategy is founded upon six pillars of success- Consumers, Workforce, Agents, Technology, Fraud and Corporate Operations. Given Tower Hill Insurance Group's (THIG) heavy concentration of property insurance in the state of Florida, we rely heavily on catastrophe predictive modelling, and provide real-time communication to all policyholders and business partners in the event of a climate-related event. THIG also employs company-level infrastructure to respond to any and all climate-related risk occurrences. Additionally, THIG secures significant reinsurance resources to meet the fiduciary responsibilities that we have to our policyholders and members.

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.

Strategy Response

As noted above, THIG maintains a strong reinsurance position to ensure resiliency in the event of catastrophic/climate-related events. Given the nature of our countrywide footprint, the company remains very well positioned to successfully respond to any and all types of climate-related occurrences (Hurricane, Fire, Winter storms, etc.) A dedicated Catastrophe response team is maintained year-round to ensure we are positioned to quickly respond to climate-related events at any time of the year. In recent years, the company has significantly expanded a much more flexible work from home policy, thereby reducing the carbon emission impacts from employees commuting to an office on a daily basis. All physical offices are closely managed to ensure minimization of carbon footprint impact.

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.

Risk Management Response

Tower Hill Insurance Group's (THIG) risk management framework is founded upon strong climate-related risk predictive modelling and immediate response scenarios. These approaches and tools have proven to be extremely effective for the past fifty years and are reinforced by our marketplace and service position, specifically in the state of Florida. On-site response teams remain on-call in the event of a climate-related event and can be mobilized in less than 24 hours. As noted above, THIG also employs a very assertive reinsurance strategy to ensure the protection of our underwriting and investment portfolios. Climate-related risk management remains a continued bedrock of Tower Hill's overall risk management process and approach.

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.

Metrics and Targets Response

Tower Hill Insurance Group uses multiple predictive modelling approaches to manage climate-related risks and opportunities. These include and are not limited to actuarial modelling, machine learning methodologies, all- peril catastrophe predictive modelling, multiple data sharing partners and real-time customer feedback during climate-related events. All models are used to ensure that the company is on track to respond to customer needs and ensure performance is met against all specified metrics, targets and goals.

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