NAIC Climate Risk Survey

PURE Group of Insurance Companies

August 2024

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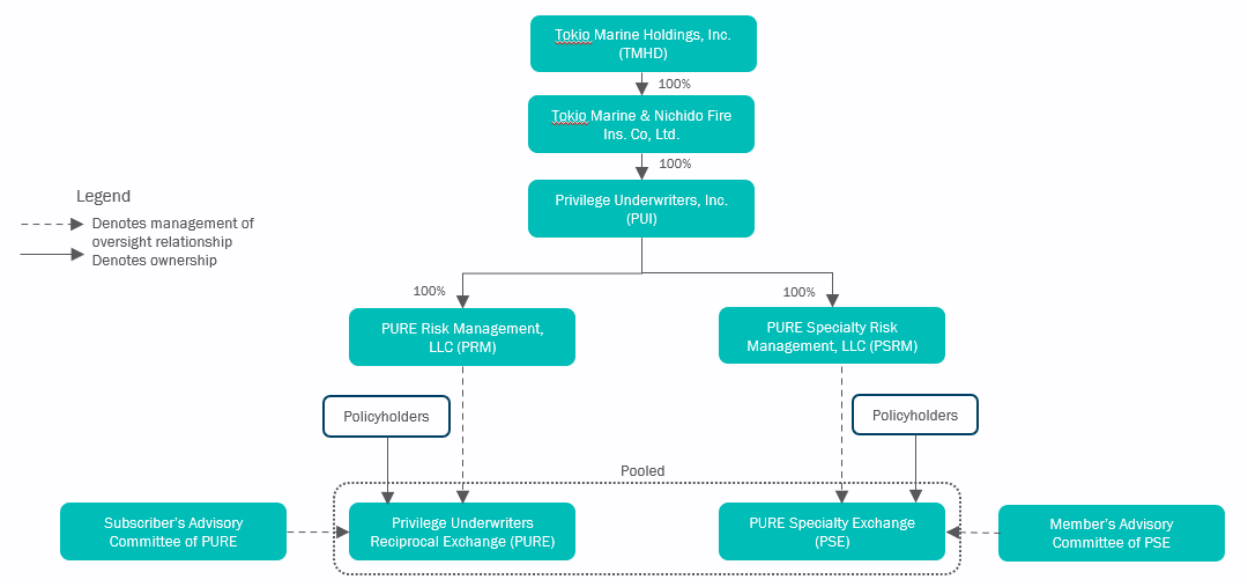
1. Governance

At the core of our organizational structure lies two reciprocal exchanges. Privilege Underwriters Reciprocal Exchange ("PURE") is an admitted insurance company domiciled in the state of Florida. PURE Specialty Exchange ("PSE") is a non-admitted insurance company domiciled in the state of Arizona. For each reciprocal, there is a for-profit attorney-in-fact appointed to manage the affairs of the insurance company on behalf of the policyholders ("members"). Each attorney-in-fact is owned by a holding company called Privilege Underwriters Inc. ("PUI") and ultimately by Tokio Marine Holdings ("TMHD"). The insurance companies are member-owned and each have an advisory committee constructed of members and/or their broker representatives. A diagram of our organizational structure is provided below. Throughout our responses to the survey, we will refer to the "PURE Group" for all companies owned by or managed by PUI.



All public statements regarding climate risk have been made at the TMHD level and can be viewed at the following web site:

https://www.tokiomarinehd.com/en/sustainability/

In addition, specific to the PURE Group, we are committed to the following:

- Providing insurance solutions and risk management practices to our target market in the personal lines insurance space
- Abstaining from knowingly financing or directly investing in companies that generate revenues from the ownership, exploration, mining or refining of thermal coal and coal-fired energy production
- Committing to ESG-focused investments within our PURE Foundation and seeking out additional impact-focused investments within the portfolios of our insurance companies

- Stress testing the physical risks our members face given potential climate change outcomes
- Remaining carbon neutral from 2021 onwards, and reducing our scope 1 and scope 2 emissions to the extent feasible

As mentioned above, all public climate-related disclosure is currently provided by TMHD. However, climate-related matters are discussed both with the PUI Board of Directors and with each of the advisory committees for the member-owned reciprocals on an annual basis, at minimum. The PURE Group has compiled a TCFD report that can be found in the "Sustainability News" section of the web site mentioned above.

Within the PURE Group, we have adopted a "Three Lines of Defense" risk governance model:

1. First line of defense – day-to-day accountability for departmental risks lies with the associated business unit employees and managers who own and manage risks.
2. Second line of defense – management establishes various risk management and compliance functions to help build and/or monitor the first line of defense controls. We have a Risk Steering Committee and a Sustainability Committee within the second line of defense.
    a. The Risk Steering Committee consists of seven members, is responsible for enterprise risk management oversight, and has identified catastrophe risk, and the impacts of climate change, as a material risk to the insurance companies we manage. We monitor catastrophe trends and report KPI's to the PUI board on a quarterly basis.
    b. The Sustainability Committee consists of ten members and is responsible for documenting the companies' commitments and organizing workflows to accomplish sustainability efforts including tracking and offsetting our carbon footprint annually.
3. Third line of defense – the Internal Audit function provides the Board of Directors and Senior Management assurance based on assessment of key risks, test of Sabanes-Oxley controls, and risk based internal audits.

TMHD has put in place the Sustainability Division of the Corporate Planning Department, dedicated to the advancement of the Group's sustainability efforts including climate change countermeasures. The Sustainability Division identifies major challenges, develops and implements group-wide related strategies, and supports regular monitoring of sustainability efforts.

Group Chief Sustainability Officer (CSUO)

TMHD established the new position of CSUO in April 2021 to further accelerate the promotion of sustainability strategy across the entire Group Companies (GCs) including climate change countermeasures. The CSUO is responsible for its sustainability strategy and for addressing sustainability issues facing the entire Group with regular reporting to TMHD's Group CEO.

Sustainability Committee

TMHD also established the Sustainability Committee in April 2021, chaired by the CSUO and comprised of members including the CEO and other C-suites. The Sustainability Committee has

the primary mandate to establish sustainability strategies and develop target measurement for the entire Group to weight the risk and return of global sustainability initiatives.

Board of Directors

The Board of Directors is charged with discussion of Group sustainability policies including climate change countermeasures as well as the evaluation and determination of mid-term and single-year plans.

Membership includes outside directors and Audit/Supervisory Board members to fully utilize the knowledge available from outside of TMHD.

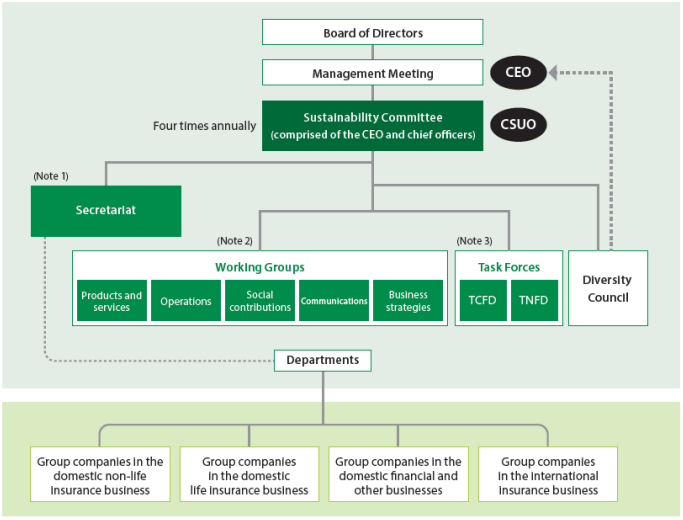
Organizational Structure for Promoting Sustainability

The TMHD Sustainability Division, CSUO, and Sustainability Committee are responsible for the promotion of Group-wide initiatives and coordination with other subcommittees and task forces, which have dotted line connections for support and input. Under this structure, TMHD aims to simultaneously achieve two goals:

- Specifically enhance Tokio Marine Group's social value by solving social issues through its business activities and contributing to a sustainable society; and
- Enhancing its economic value by achieving medium- to long-term growth for Tokio Marine Group (the Group) through such initiatives.

The Group will realize medium to long-term growth while promoting a shared understanding of the aims and context of its mid to long-term sustainability strategy throughout the Group and strengthen its initiatives to solve issues relating to a sustainable earth and society.

Tokio Marine Holdings' Organizational Structure for Promoting Sustainability



(Note 1) Secretariat (Sustainability Division, Corporate Planning Department):
Operates the committee (as well as the working groups and task forces) and promotes the overall sustainability strategies across the Group.

(Note 2) Working Groups:
Formulate and execute annual plans for respective issues, with the participation of relevant departments of Tokio Marine Holdings and members of Group companies. Formulate plans and coordinate actions regarding measures to address material issues.

(Note 3) Task force:
Form project teams to handle tasks that require intensive response over a short term.

Tokio Marine Holdings, Inc. 2024 TCFD Report (hereinafter Report) P. 7

2. Strategy

2.1. Corporate Responsibility

At the end of September 2020, TMHD published its thoughts on climate change in “Tokio Marine: Our Climate Strategy,” which was revised at the end of September 2021 and the end of September 2022. In the statement, TMHD commits itself to supporting the Group’s clients and investees in the transition to a decarbonized society.

Within the PURE Group, we discuss climate-related matters within the PUI Board and with the subscribers advisory committees of the reciprocal exchanges we serve. In addition, we have disclosed our carbon neutral status to members in our annual report.

PURE maintains an active greenhouse gas (GHG) inventory, which is used to quantify all unabated emissions produced within our organizational and operational boundary. This inventory contains a list of emission sources and the associated emissions quantified using standardized methods developed by the United States Environmental Protection Agency (EPA) and guidance from the GHG Protocol Corporate Standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), which is the global standard for calculating corporate GHG emissions (GHG Inventory Development Process and Guidance 2021).

PURE has adopted and implemented the following 4-step process recommended by the EPA for GHG Inventory development and emissions tracking to quantify company carbon emissions for the year 2023 and plans to purchase carbon credits to offset all scope 1, 2, and 3 emissions to achieve carbon neutrality for the year 2023:

Step 1: Scope and Plan Inventory
Step 2: Collect Data and Quantify GHG Emissions
Step 3: Develop a GHG Inventory Management Plan
Step 4: Set a GHG Emission Reduction Target and Track and Report Progress

PURE’s emissions in 2021 are used as a baseline for future comparisons of emissions and to track the impact of mitigation strategies put in place. One such mitigation strategy PURE has begun to implement is the conversion of the company vehicle fleet from traditionally powered vehicles using only gasoline or diesel engines to a hybrid vehicle fleet. In 2023, we made progress towards our goal of adding hybrid vehicle options for employees. As of October 2023, over 50% of our fleet (117 of 192 cars) are hybrid vehicles.

Additionally, to ensure that the calculation of emissions is consistent with standards and principles of GHG Protocol, PURE commissioned an independent verification of emissions which provides confidence that the reported emissions represent a faithful, true, and fair account of the company's emissions.

2.2. Risks & Opportunities to PURE Insurance

Within the PURE Group, we have aligned with the short, medium and long-term guidance from the TCFD framework. The chart below represents our identification of key risks and opportunities in each timeframe.

Risk	Opportunity	Short Run Impact	Medium Term Impact	Long Term Impact
Passive or increased carbon emissions	**Member & employee engagement and reductions in carbon emissions**	Employee engagement and enthusiasm, achievement of carbon neutrality	Reduction in our scope 1 and scope 2 emissions, engagement with the memberships we serve	A more stable company that is more resilient from changing trends in energy demand
Investing in companies that create a less favorable climate and society	**Investing in companies that create a more sustainable environment and society**	No investments in companies with majority revenues from the known production or burning of fossil fuels, initial investments in ESG-focused funds	Success of programs we invest in along with anticipated returns for the insurance companies, learning from portfolio companies that are part of energy transition to consider impacts on PURE's direct business (example: EVs)	A more sustainable economy
Transition Risk to low-carbon processes and materials have a negative impact on the exposures we insure	**To inform our memberships of the advantages and necessary risk management techniques as evolution occurs**	Additional research needs to be performed on sustainable building materials and the resulting impact on insurance risks	We can confidently recommend building cost-effective and resilient materials to our membership for reconstruction practices	Our membership is resilient as possible from the property and casualty perils we help them insure
Elevated Catastrophe Risk	**To educate our membership on climate factors and to build and prepare in resilient manners**	Increases in pricing for available catastrophe capacity	Increased education for the membership and implementation of risk mitigation strategies	Hardened homes and a well-educated membership base limit catastrophe losses to the greatest extent possible

Our insurance products have been designed solely for the personal lines industry. We do not insure commercial lines.

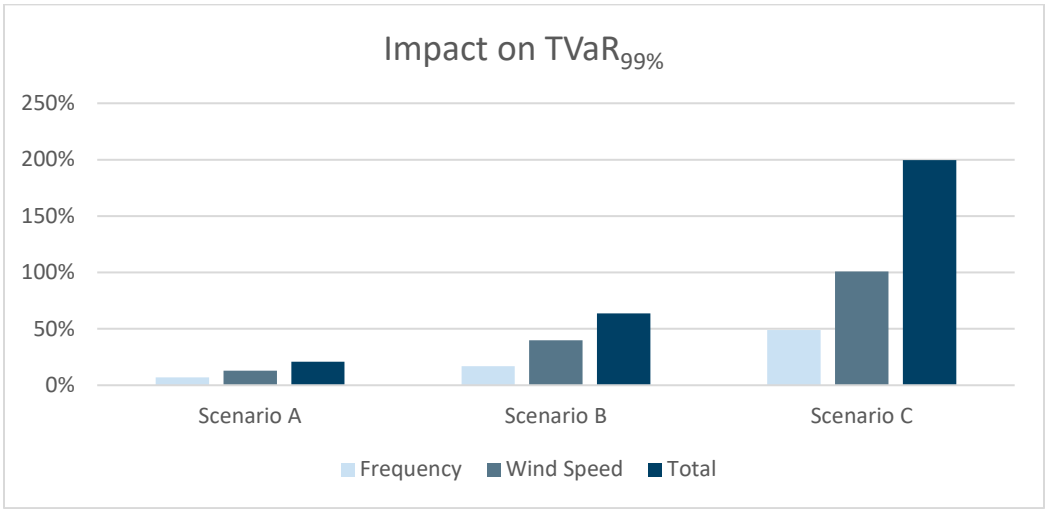
Our risk management practices include in-person engagement with members to discuss resiliency of their homes and frequently includes requirements and recommendations for

improvements to uphold to catastrophic exposures. We have a well-trained Risk Management team that performs inspections, researches new technologies, and works with top vendors in the industry. Home inspections performed by our risk managers on new homeowner policies can identify hazards of the property that could lead to, or increase the magnitude of, climate related losses. Our risk managers are trained to educate and instruct members on ways to avoid and contain risk to effectively cover climate change risks as they arise. The vendors we partner with offer various services and product recommendations that include arborist evaluation services, natural gas generator solutions, wildfire mitigation programs, and lightning suppression systems. The company also offers credits to promote the installation of leak defense water automatic shutoff devices which help to conserve water and prevent large water damage claims.

Our understanding is that we are one of the few carriers to offer a wildfire mitigation program. Our program includes pre-fire and emergency response services intended to reduce, and even prevent, loss from wildfire. Those enrolled in this program receive a visit from a reputable vendor who is a leader in wildfire protection. The preventive service includes an inspection for wildfire vulnerability concerning the landscape around the home and identification of flammable materials close to the home, such as a wood pile on a porch or a wood shingle roof. This vendor can also apply Phos-Chek, the same long-term fire retardant that is used by the US Forest Service.

2.3. Climate Scenarios

To date, our stress testing scenarios have been focused on testing flood and hurricanes. We employ industry-leading catastrophe models to simulate risk across a stochastic set of events. Assuming changes in both the frequency of hurricanes and construction of the storms, we have estimated probabilities of loss thresholds under various circumstances using guidance from the U.K. Prudential Regulation Authority. The figures below provide relative differences between current estimates and stress tests under Scenario A: A sudden disorderly transition in 2022; Scenario B: A long-term orderly transition into 2050; and Scenario C: Four degrees Celsius warming by 2100.



If those scenarios were to occur, our actions would need to contemplate a combination of the following: creating a more resilient membership in terms of home construction and risk mitigation techniques; a moderation of increases in capacity for coastal risks; or increases in premiums and/or capital to support the underlying risk.

3. Risk Management

TMHD conducts enterprise risk management (ERM), which includes the management of climate risks. Through the ERM cycle, TMHD comprehensively identifies and assesses risks, using both qualitative and quantitative approaches. In the insurance business, which pursues profit through risk-taking, risk assessment is the foundation of the Group's business. TMHD has been working for many years to assess material risks (including those due to natural disasters) both quantitatively and qualitatively. Specific initiatives are as follows.

(1) Qualitative Risk Management

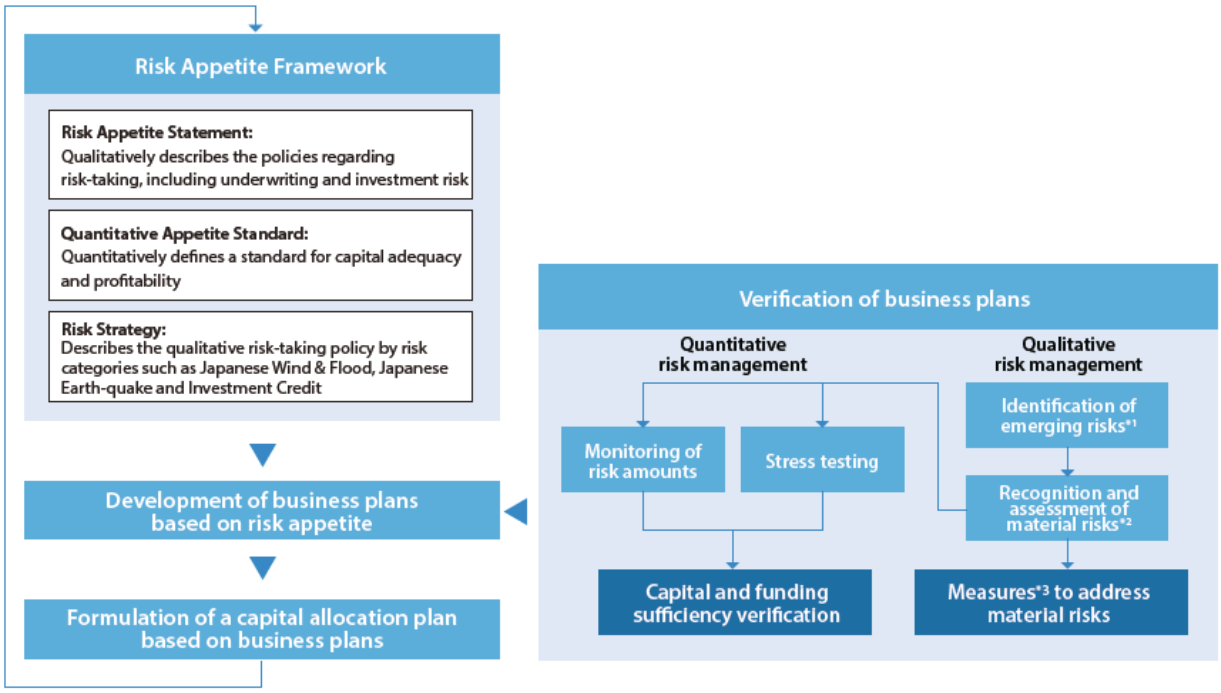
TMHD identifies all forms of risk exhaustively, including natural disasters such as major storms and newly emerging risks due to environmental changes. TMHD defines risks that will have an extremely large impact on the Group's financial soundness and business continuity as "material risks."

TMHD includes the risk of major windstorms and floods in the "material risks" category, which could become more frequent and severe due to the effects of climate change. TMHD also formulates control measures prior to risk emergence and response measures for after risks occur.

(2) Quantitative Risk Management

For material risks, through measuring risk amounts and implementing stress tests as part of the TMHD's quantitative risk management, TMHD is able to perform a multifaceted review of the adequacy of capital relative to the risks held for the purpose of maintaining ratings and preventing bankruptcy. TMHD calculates risk amounts posed by natural disasters using a risk model (for Japan, a risk model developed in-house based on engineering theory and the latest knowledge of natural disasters, and for overseas, models provided by outside vendors). TMHD independently analyzes past tropical cyclones (typhoons in Japan and hurricanes in the United States), torrential rains, and other changing trends and incorporate this data as necessary to properly assess current weather phenomena. Furthermore, within material risks, TMHD conducts stress tests based on scenarios in which extreme economic losses are expected and scenarios where multiple material risks occur at the same time. As for risks involving major wind and flood disasters, for example, TMHD assumes these scenarios to be on a much larger scale than the major typhoons that hit the Greater Tokyo Area in 2018 and 2019 causing extensive damages. TMHD updates scenarios continuously while taking into account stress tests released by regulatory authorities of every country, the latest knowledge (including that of climate change), and recent case studies.

Notional Image of ERM Cycle



*1 Emerging risks are new risks that arise due to changes in the environment or other factors, encompassing those that were not traditionally recognized as risks and those that have increased markedly in severity.
*2 Material risks refer to risks that could have a substantial impact on financial soundness, business continuity and other critical aspects.
*3 For material risks, we formulate response measures (Plan), implement these measures (Do), assess the outcomes (Check) and make improvements (Act).

Specific to the PURE Group, internal audit and ERM teams collaborate with departmental leaders annually to review existing processes, identify both existing and emerging trends, and assess potential risks. Scores are provided for each potential risk on an inherent basis (prior to controls) and a residual basis (after applying controls). An operational risk distribution is then created and included within our economic capital model. A final emerging risks heat map is produced which can have an effect on medium to long-term corporate strategy. For climate change effects, our catastrophe modeling team performs an annual assessment as disclosed above. In addition, our Sustainability Committee meets regularly to coordinate activities of functional departments to meet our objectives. Action is then taken at the functional level.

PURE has adopted the following investment guideline to mitigate the transition risk associated with this movement away from carbon: *The Company shall not make loans to finance any of the following types of projects: (i) coal-fired power generation, (ii) thermal coal mining, (iii) oil sands mining, or (iv) oil and gas mining in the Arctic region. In compliance with the California Department of Insurance's Climate Risk Carbon Initiative, the Company shall not invest in other forms of thermal coal investments. Thermal coal investments are defined as direct investments in companies that generate 30% or more of their revenues from either the ownership, exploration, mining, or refining of thermal coal. The restriction also applies to all publicly and privately-owned utility companies that generate 30% or more of their electricity from thermal coal.*

The Company has an Investment & Finance Committee (the "Committee"), which consists of five Directors from the Company's Board which oversees PURE's investment portfolio. The

Committee meets quarterly to monitor, review and determine strategy for PURE's investment portfolio. The Committee will discuss climate-related risks and opportunities as they are relevant at the direction of Management.

PURE considers climate-related risks and their investment impact in the following categories. With regards to investments, PURE regards the below risks in order of impact from most impact to least impact.

1. **Transition Risk.** Risks arising from market, policy, technological and social changes, affecting business models and profitability of companies and sectors (e.g. energy, industry, transportation, agriculture) leading to impacts on financial assets and portfolios. Generally, PURE's exposure to carbon-intensive companies likely to face regulatory pressure is limited but we view this as the largest risk for investments. In 2016 PURE voluntarily sold all of its current holdings of thermal coal assets as defined by the California Department of Insurance and voluntarily agreed not to make any new such investments in the future. Additionally, transition risk is considered by PURE's outsourced investment managers during the acquisition of investment securities.
2. **Physical Risk.** Impacts of physical climate events and trends on assets, firms and sectors, affect the profitability and cost of businesses leading to the impacts on financial assets and portfolios. The physical risk of climate change relates to our investment portfolio to a lesser extent but is far more prevalent in our main course of business – insuring residential homes in areas with climate change risk. Sound diversification of investment assets across geography, sector and individual securities (single-name risk) reduces the potential impact of physical risk from climate change for PURE's overall investment portfolio.
3. **Liability Risk.** Reputational and litigation-related risks from not taking into account or disclosing climate change impacts, leading to impacts on financial assets and portfolios. We feel this risk is also limited within the investment portfolio and more prevalent in our main course of business.

4. Metrics and Targets

4.1. Catastrophe Risk

PURE has in place risk tolerance statements to inform portfolio management activities and reinsurance needs of the memberships. The statements are not publically available; however, we can share they are a function of the modeled catastrophe risk at various probabilities, the amount of premium written within the insurance company, and policyholder surplus. While hurricanes and flooding are the main climate-related risks assessed via licensed in-house catastrophe models, we also model earthquake, winter storm, severe convective storm, and wildfire perils on a quarterly basis, along with other perils on an ad-hoc basis.

The aforementioned risk tolerance statements are established and monitored quarterly at the PUI Board level. The company manages catastrophe exposure to a number of KPIs, mostly

related to capital consumption. Key measures related to climate include the 1:250 year VaR and the 1:100 xTVaR.

The insurance companies we manage limit the amount of capital depleted in 1:250 year catastrophe scenarios and have explicit access to additional capital beyond that level.

4.2. Investment Risk

PURE has adopted the investment guideline to mitigate the transition risk associated with this movement away from carbon as disclosed above.

4.3. Environmental Responsibility

The PURE Group has achieved carbon neutrality as of 2022 and our goal is to remain carbon neutral in all future years while working to reduce scope 1 and scope 2 emissions to the extent possible. The figure below represents full year 2023 emissions for the PURE Group.

PURE 2023 EMISSIONS	TOTAL ($mtCO_2e$)
Scope 1	1,008
Scope 2 (location-based)	486
Scope 3	790
Total Scope 1 & 2	**1,494**
Total Emissions	**2,284**