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.

Edison insurance is a privately held company and is a wholly owned subsidiary of Florida Peninsula Insurance. Edison is managed in conjunction with Florida Peninsula with common management across both companies. As a privately owned company, Edison does not have a publicly stated goal on climate-related risks and opportunities.

However, as a Florida only homeowners insurance company with many coastal exposures, climate-related risks and opportunities are a critical part of our business and are discussed at each board meeting with the board as a whole, in subcommittee meetings of the Audit and Investment committees of the Board and during weekly meetings of the Executive Committee of the Board which includes the Chairman of the Board of Directors, the CEO and senior management.

The board is charged with determining that all appropriate policies and practices are in place for managing the identified risks faced by the company including the risks pertaining to climate change. The Board and Executive Committee receive, analyze and discuss all relevant and material information based on reports supplied by management. This includes governance and approval of its risk solvency assessment.

Edison bases its risk management and investment management decisions on actual underwriting, claims and investment experience supplemented with information from multiple Catastrophe Models and external climate experts. Internally there is a team of data scientists which is constantly evaluating what is driving current and projected loss costs. The goal is to ensure that all risks are considered when assessing and operating the business. The management of Edison views climate-related risks and opportunities as a collaborative cross-functional responsibility, and all key functions are involved.

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. *

Edison continually evaluates the potential impacts of climate-related risks and opportunities on the business and strategy. The primary business risk is the potential for increased hurricane losses due to climate change. To evaluate that risk the company utilizes weather models, catastrophe models and consults multiple experts. The input from each of these sources is constantly evaluated by management and the board. Based on that input decisions are made concerning what products and coverages to offer, how they should be priced and underwritten, how much reinsurance to purchase to protect the underlying surplus of the company, and how to staff and deploy the claims and underwriting staff.

Key business risks and approaches are communicated throughout the organization both through quarterly management meetings with managers from the entire company and Town Hall meetings for all employees. Additionally, climate-related risks and opportunities are discussed at all Board and Shareholder meetings.

While Edison has a relatively minor greenhouse gas impact, we have taken concrete steps to reduce greenhouse gas emissions and mitigate climate change impact as a whole. These include allowing and enabling remote work to reduce energy usage, utilizing energy efficient components and fixtures in our work environment and being 'paperless' in most business activities. For its policyholders, the company encourages the utilization of its paperless 'green solution' for delivery of all policy documents and provides incentives for solar energy usage and water saving solutions.

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.

The primary consideration for Edison for short, medium and long-term climate-related risks is centered around the potential increase in extreme weather events – particularly windstorm events. To ensure that these risks are addressed the company utilizes multiple models to forecast potential losses, rate adequacy and risk to surplus. These models are constantly adjusted based on expert analysis of short, medium and long term climate change impact. Pricing, underwriting and reinsurance purchases are adjusted at a minimum annually to reflect these changes.

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.

Edison underwrites a diverse set of products and coverages. Weather events, primarily Severe Convective Storms and Hurricanes, have a major impact on the business. As such we utilize multiple weather and catastrophe models, consult external weather experts and have linkages to dozens of external data providers to provide the most up to date information. Additionally, the company has an in-house team of data scientists to analyze the information. Therefore, climate-related risk and opportunity assessment is ingrained in all aspects of our business.

For its policyholders, the company encourages the utilization of our paperless 'green solution' for delivery of all policy documents and provides incentives for solar energy usage and water saving solutions. While the company's investment policy does not explicitly include a preference for investments to support the transition to a low carbon economy, it is a factor when making alternative investment decisions. Additionally, the company focuses on short term debt instruments to ensure to reduce its investment risk.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

A 2 degree Celsius change has not been evaluated explicitly, however, the company has determined that it is resilient to severe climate related scenarios.

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. *

Edison's Enterprise Risk Management (ERM) process involves recognizing risks and creating a response strategy. Edison has both a high level macro approach to ERM where overall weather related risk is managed at both a Probable Maximum Loss level and at a discrete policy level. At a high level, these decisions include what products and coverages to provide and how much climate-related reinsurance to purchase. At a policy level the potential impact of climate-related risks is utilized to ensure a reduction in risk concentration in higher risk areas and to ensure that risks are appropriate rated and underwritten.

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.

Climate-related risks are addressed through Edison's ERM framework supplemented by multiple tools as previously described. The ERM process is continually monitored and discussed monthly at a management level and at least annually at a board level.

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.

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

As previously described, Edison considers the primary climate-related risks to be the impacts of hurricanes on property exposures. A key metric utilized is Probable Maximum Loss for the portfolio and the ratio of PML to surplus. Similarly, for the purchase of reinsurance a key metric is company retention under a significant weather event. In both situations, Edison strives to be one of the most secure companies in the industry through the purchase of reinsurance to provide greater limits and lower retentions.

The Company regularly utilizes weather computer models to assess our concentrations of risk, potential impacts of frequency and severity of storms, and those interrelated effects on our underwriting and product pricing. The models are utilized for assessing our property exposures within our operating footprint. Probable Maximum Loss (PML) modeling is used to determine the extent of necessary catastrophe reinsurance, including structure and limits. This modeling is updated regularly to capture current exposures. Weather factors largely encompass hurricane exposures, given that the majority of our business is primarily located in coastal Florida. Model results at the 1 in 100 years have particular focus. Significant CAT events are overlayed on various anticipated high exposure areas of our footprint to assess some of the most severe impacts and pricing of our products and levels of reinsurance purchased are considered. Additionally, as part of our on-going risk assessment and monitoring of our capital adequacy, we assess the financial effect of potential catastrophes under various scenarios and purchase reinsurance where needed to preemptively manage those inherent risks.