



**Grange
Enterprise**

CLIMATE RISK DISCLOSURE

GRANGE MUTUAL HOLDING COMPANY
NAIC GROUP NUMBER 267

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SCOPE

This Climate Risk Disclosure applies to the Grange Mutual Holding Company (Grange), including its insurance and non-insurance subsidiaries. The Grange corporate structure is described below.

The Grange Mutual Holding Company wholly owns Grange Holdings, Inc., an intermediate stock entity. Grange Holdings is a non-insurance entity, which wholly owns the following.

- The Grange America Corporation, an Ohio stock, non-insurance entity;
- The Northview Insurance Agency, Inc., an Ohio stock company;
- The Grange Insurance Company (GIC), an Ohio insurance company; and
- The Integrity Insurance Company (IIC), an Ohio insurance company.

GIC wholly-owns the following insurance entity subsidiaries, each of which is an Ohio insurance company.

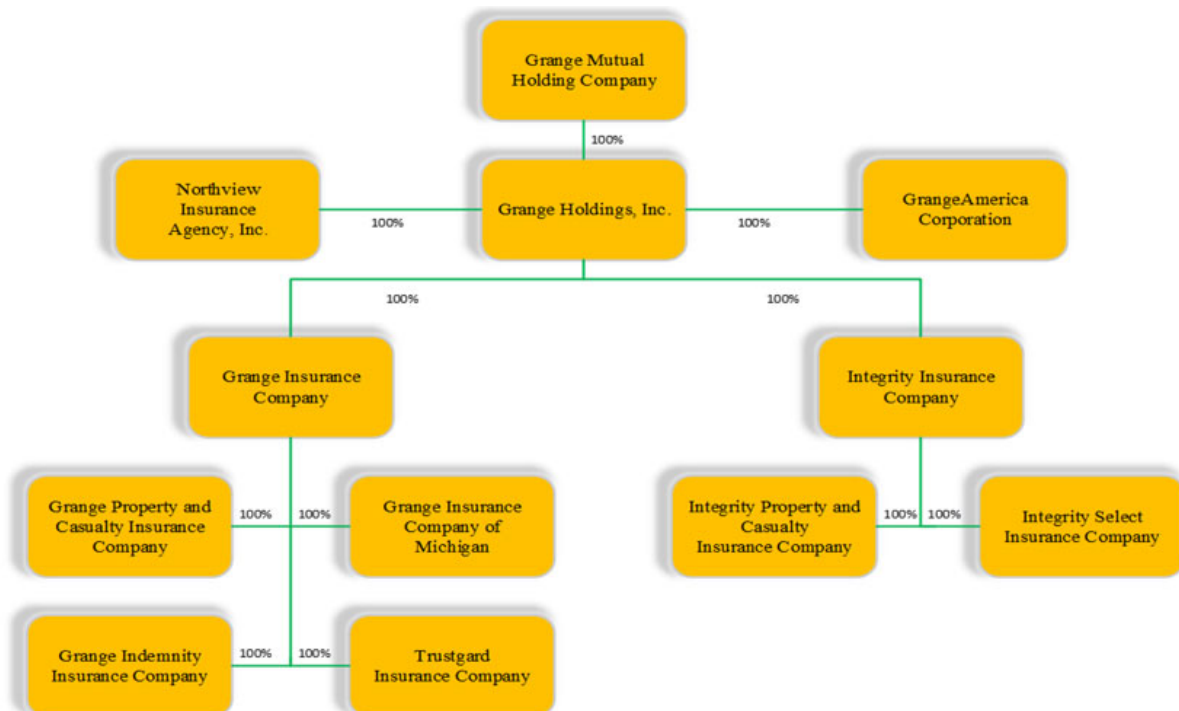
- The Grange Indemnity Insurance Company;
- The Grange Property & Casualty Insurance Company;
- The Grange Insurance Company of Michigan; and
- The Trustgard Insurance Company.

IIC wholly-owns the following insurance entity subsidiaries, each of which is an Ohio insurance company.

- The Integrity Property & Casualty Insurance Company; and
- The Integrity Select Insurance Company.

Figure 1 depicts the corporate structure of the group to which this disclosure applies.

FIGURE 1: GRANGE MUTUAL HOLDING COMPANY CORPORATE STRUCTURE



I. GOVERNANCE

RESPONDING TO QUESTION 1: Disclose the insurer's governance around climate-related risks and opportunities.

Grange has a consolidated Board of Directors (the Board) that governs the group at the parent company (*i.e.*, the Grange Mutual Holding Company) level. The Board's oversight and direction, including with respect to climate-related risks and opportunities, applies to all entities in the group.

Publicly Stated Goals

Grange's public web site (grangeinsurance.com) addresses climate-related risks and opportunities through its statement on Corporate Sustainability, excerpts of which are below.

Grange's commitment to corporate sustainability

Grange Insurance is committed to corporate sustainability as an ongoing promise to our customers, agency partners, associates, and community. Our environmental, social and governance (ESG) initiatives are integrated into our corporate strategy, mission and core values and set us up for continued success. We are committed to understanding and reducing our environmental risks and serving our customers responsibly.

Environmental

Since 2016, Grange has received environmental accolades with LEED (Leadership in Energy and Environmental Design) certifications from the U.S. Green Building Council for its headquarters in Columbus, OH. These certifications represent a continuous effort by Grange to adhere to several environmentally rigorous standards. Grange also offers remote and hybrid work options for associates, which reduces our contributions to carbon emissions from commutes to work.

LEED Gold Certification

Grange is LEED Gold certified for implementing practical and measurable strategies and solutions in sustainable site development, water savings, energy efficiency, material selection and indoor environmental quality. This allows Grange to operate more sustainably and gives associates inside a healthier, more comfortable space to work.

Paperless

We encourage our insurance customers to select paperless billing and leverage our website for access to electronic documents. Offering paperless options protects the environment, enhances the customer experience, and reduces our use of ink and electricity.

Climate strategies

Over the last several years, we've established strategies to address the changing climate. We're analyzing our approaches to underwriting and liability risks to determine impacts of climate hazards. We have robust portfolio risk management practices informed by industry leading catastrophe models, that ensure that we have the financial capacity to fulfill our promise to our customers even in extreme catastrophes.

Governance

Grange's board and leadership are committed to the highest standards of professionalism, practices, and performance. Our corporate governance ensures that we are operating ethically and with integrity. It also ensures we're creating sustainable value for our customers and agency partners.

Board of Directors

Our Board of Directors works with Grange's senior leadership to approve the short-term and long-term strategic plan. Board members regularly review progress we've made toward our strategic goals. This includes Environmental, Social and Governance (ESG) risks and opportunities that could impact our corporate sustainability. Our leadership is committed to ensuring the strategy is consistent with Grange's core values, culture, and risk appetite.

Associate Guide Code of Ethics & Business Conduct

The Corporate Sustainability statement on Grange's public web site is consistent with Grange's Associate Guide and Code of Ethics & Business Conduct Guidelines, which are provided to all associates, and which all associates are required to follow. Specifically, the Grange Code of Ethics & Business Conduct provides the following regarding Corporate Sustainability as it relates to climate related risk.

The Enterprise is committed to corporate sustainability as an ongoing promise to our customers, agency partners, associates, and community. Our environmental, social and governance (ESG) initiatives are integrated into our corporate strategy, mission and core values and set us up for continued success. We are committed to understanding and reducing our environmental risks and serving our customers responsibly.

Director Qualifications and Competencies

The Board consists of eleven qualified, experienced, credentialed, and diverse directors, nine of whom are independent and elected by members of the Grange Mutual Holding Company (*i.e.*, the policyholders of the subsidiary insurance companies). Grange adheres to Ohio corporate governance law, regulator-approved corporate code of regulations and bylaws, and self-adopted governance guidelines. Pursuant to Ohio law governing corporations, the Board acts in the best interest of the mutual holding company and its members.

Each director on the Board completes a competency assessment every other year. The assessment includes self-ratings of various governance oversight skills, which the Secretary of the Board collates into a combined report for the Board's Corporate Governance Committee to review. The Corporate Governance Committee uses the aggregate results to evaluate Board qualifications and to identify potential skill gaps. These findings are considered when the Board evaluates candidates to fill vacant seats. Experience in the oversight and management of corporate ESG implementation, reporting, and initiatives is one of many skills deemed desirable of new directors.

Board and Senior Management Educational Sessions

The Board and Grange senior management regularly leverage the expertise of outside professional consultants on a range of topics, including ESG topics that address weather and climate risk. In 2021, the Board's Corporate Governance Committee agenda included an educational session, presented by a professional consultant, on emerging trends for mutual insurance company boards of directors, which included climate related ESG trends. Also in 2021, the full Board agenda included a session on ESG and Grange's risk management approach, presented by Enterprise Risk Management. In 2022, we had a

catastrophe modeling expert from Aon present to the full Board on various efforts underway to measure and manage climate change impacts for the P&C insurance industry. As stated above, the Board leverages the educational sessions to remain current on developing areas of importance, such as ESG and climate change.

RESPONDING TO QUESTION 1A: Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

The Board provides oversight of the Enterprise Risk Management (ERM) function, including climate risk management, and maintains broad ownership of this role. Routine monitoring of ERM is delegated to the Audit Committee, is embedded within the Audit Committee's charter, and is a main component of the quarterly meetings.

In addition to the regular meetings of the Audit Committee as may be required to discuss its duties and responsibilities, the Audit Committee meets in executive session separately at least annually with the Grange Chief Risk Officer (CRO) and as a committee to discuss any matters that the Audit Committee or the CRO believe should be discussed privately.

RESPONDING TO QUESTION 1B: Describe management's role in assessing and managing climate-related risks and opportunities.

Grange's dedicated ERM function is accountable for embedding a risk-conscious culture throughout the enterprise, including a focus on climate related risk-based decision making. The ERM team operates with distinct, repeatable processes for timely identification of significant risks, robust assessments, and timely communication of these risks. These processes provide Grange with opportunities for continuous improvement and value-add through insights and feedback loops to respond to changes in our climate related risks and opportunities.

Climate related risk management is owned at the functional level, leveraging the Functional Risk Owner (FRO) role to influence risk-based behavior within their respective function. For example, as part of managing loss costs and assessing the adequacy of product pricing, underwriting and pricing functional leaders evaluate and report on Grange's experience from policyholder losses caused by weather events and influenced by climate risk. Commercial Lines and Personal Lines Pricing teams review the pricing assumptions regularly and ensure the weather-related portion is actuarially sound and in line with our view of weather exposures.

The Enterprise Risk Committee (ERC) is comprised of the Senior Leadership Team, the VP Investments, the VP Chief Actuary, ERM members, and the AVP Internal Audit, and is chaired by the CRO. Committee members convene on a bi-monthly basis to evaluate significant risks and exposures to the enterprise and approve "risk/reward trade-off" decisions. The Committee is collectively responsible for performing oversight of the broad enterprise risk management initiative, including climate related risk exposures. Significant matters from this committee are escalated to the Audit Committee of the Board.

Distinct risk sub-committees report up through the ERC and focus on risk-related topics at a function-specific level. Each risk sub-committee is comprised primarily of subject matter experts and leaders for each business area in addition to representatives from ERM and Internal Audit. Examples where climate-risk is integrated within the risk sub-committee include:

- *Property & Casualty Risk Sub-Committee*
Underwriting incorporates climate risk considerations in underwriting appetite guides and letters of authority, which are presented to the Property & Casualty (P&C) Risk Sub-Committee for approval. In addition, the P&C Risk Sub-Committee evaluates and approves key reinsurance and catastrophe risk management strategies.
- *Investment Risk Sub-Committee*
The Investment Risk Sub-Committee considers climate-related risks and evaluates investment strategies with consideration of those risks.

II. STRATEGY

RESPONDING TO QUESTIONS 2, 2A, 2B, & 2C: 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. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

Grange's mission is to provide peace of mind and protection during life's unexpected events, which includes the disastrous impacts severe weather and Catastrophes ("Cat"). We proactively consider the evolving climate risk landscape and manage that risk to our capital both directly and through the purchase of reinsurance.

We calculate capital requirements using a rating agency model and an economic capital model specific to Grange that provides an indication of capital required to cover an extreme 250-year event. The latter incorporates a sophisticated view of modeled catastrophes using industry-leading vendors (AIR Worldwide and RMS).

With respect to Cat modeling analytics, Grange considers the warm sea-surface temperature (WSST) stochastic event set in AIR and the near-term rate forecast in RMS to assess hurricane risk. The WSST view is a subset of stochastic events that represent heightened frequency during years with more favorable ocean temperatures for tropical cyclone formation in the North Atlantic basin. RMS's near-term (5-year) stochastic rates represent a forecast of activity in response to current and near-term fluctuations in environmental variables that influence hurricane activity.

Grange recognizes the limitations in severe thunderstorm modeling and uses deterministic scenarios to better understand 'what-if' impacts if high-impact historical events were to occur in other areas of our footprint. For example, deterministic scenarios for the August 2020 Iowa Derecho were used to identify key exposure concentrations in other areas that would drive meaningful severe thunderstorm loss if the event occurred elsewhere. This work informed Grange's decision to purchase additional reinsurance over the 250-year model-indicated risk tolerance since the 2021 reinsurance treaty. Alternative deterministic analyses are also performed annually using historical tornado events with the goal of identifying alternative plausible non-modeled tail scenarios for the peril that may not be accurately captured in catastrophe models. Further, AIR released a new severe thunderstorm catastrophe model in 2022 that Grange has adopted. This includes additional historical information, new sources of data such as radar, a better derecho detection algorithm, and general improvements to vulnerability taking into account storms from 2013-2020.

Grange also manages frequency risk of increased weather events through purchasing aggregate reinsurance coverage which is structured using both a 15 year and 5-10 year weather loss experience view. Using two different historical windows helps assure that the coverage is structured to reflect both long-term historical performance as well as near-term shifts in loss frequency resulting from weather/climate variability across our portfolio geography.

Grange mitigates exposure to hurricanes through underwriting approaches by restricting new business in near-coastal areas. This limits Grange's exposure to rising sea levels and heightened storm surge risk that

may accompany any increase in hurricane frequency and severity as a result of climate change. In addition, zip code level internal loss cost data, used to help inform Grange's underwriting and pricing strategy, rating territories, and risk tolerances, is routinely refreshed to capture the latest model view of peril frequency throughout the enterprise footprint.

For the pricing of our policies, we follow a standard industry approach to estimating expected weather-related losses using a blend of actual and modeled weather losses. Rather than using a long-term history for the actual weather loss portion, we use a shorter history of the last 5-15 years (versus prior methods that used up to 30 years) to reflect the more recent weather patterns. Our economic capital model is updated annually to pick up any increase in volatility from weather risk. This increased volatility is reflected in our required economic capital and is included in the pricing targets that are reviewed annually as part of our Economic Capital update. Our pricing varies based on the characteristics of the exposure that is covered. We gather verifiable information that can be used to differentiate risk based on characteristics of the property (e.g., age, type, and condition of a roof). These characteristics are then factored into our prices and reduce the potential for adverse selection. The use of these property factors in our pricing also serves to educate and promote loss mitigation efforts by insureds.

In addition to these enterprise-wide strategic initiatives, the following apply to Grange's Corporate Finance, Commercial Lines, and Personal Lines strategies, respectively.

Corporate Finance

Grange has not explicitly altered its financial planning processes to reflect the impact of climate-related risks or to forecast the impacts of transitioning to a low carbon economy. However, climate-related risks are reflected implicitly within our premium, loss, and expense assumptions.

Grange senior management annually tests capital adequacy through stress scenarios, including severe weather and extreme catastrophic events.

Commercial Lines Products

Given our Commercial Lines product mix, geographic footprint, and risk appetite, Grange insures a relatively low volume of exposures subject to severe hurricane and flood risks. We continuously evaluate risks based on climate related exposures as new data develops. As a member of ISO for our Commercial Lines business, new forms and rules are continually under evaluation to address these concerns.

Grange does not have plans or product offerings specifically targeted at encouraging a transition to a low-carbon economy. However, we integrate climate-related trends into our tactical solutions for Commercial Lines clients based on our monitoring changes to weather patterns. Additionally, opportunities exist in underwriting and insuring emerging next generation energy technologies such as solar, that we will be exploring.

Personal Lines Products

Grange insures a relatively low volume of exposures in geographic locations that are subject to severe hurricane and flood risks. We have not implemented products or services specifically targeted to supporting the transition to a low carbon economy or adapting to climate-related risks. We do, however, proactively reach out to agents and customers in harm's way of major weather systems.

Regarding the consideration of different climate-related scenarios, such as 2-degree Celsius warming of the planet, work is underway. We are partnering with Aon (our reinsurance broker with world-class insurance analytics capabilities) and supporting their efforts to develop a more forward-looking catastrophe model that specifically contemplates climate change. We provided our portfolio data to Aon and as a participant of their research, we will benefit from results of the modeling as they develop it over the next few years.

III. RISK MANAGEMENT

RESPONDING TO QUESTIONS 3, 3A, 3B, & 3C: Disclose how the insurer identifies, assesses, and manages climate-related risks. Describe the insurers' processes for identifying and assessing climate-related risks. Describe the insurer's processes for managing climate-related risks. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.

The Grange governance framework promotes risk oversight through a dedicated enterprise risk management function.

Grange leverages a quarterly enterprise risk report to identify, monitor, and report efforts to manage climate change risk through the Enterprise Risk Committee, the Board's Audit Committee, and the full Board. This risk report is also integrated within our annual Own Risk and Solvency Assessment (ORSA) submitted to the Ohio Department of Insurance.

As mentioned in the prior section, we purchase catastrophe reinsurance to keep the weather and climate-related risks on our policies to manageable levels.

Grange has also developed a monitoring framework for severe convective storms and exposure concentrations. Additionally, we have established risk tolerances for hurricanes and earthquakes and have the following tools in place to monitor against those tolerances.

- For hurricane risk, we use market share. Tier 1 (highest risk) counties are limited to 1 percent market share. Tier 2 counties are limited to 2 percent market share.
 - Tier 1 – counties that are on the coast
 - Tier 2 – counties that are adjacent to Tier 1
 - Tier definitions were determined by a group consisting of representatives from the Enterprise Risk Management, Commercial Lines Product, and Personal Lines Product teams and approved by the Property and Casualty Risk Sub-Committee
- Earthquake risk thresholds are set so that aggregate losses per zip code based on deterministic damage ratios do not exceed the top of our catastrophe reinsurance coverage.

Additionally, Grange supports the Insurance Institute for Business & Home Safety (IBHS), a 501(c)(3) organization, as a means of understanding and advancing climate related risk resilience. IBHS conducts objective, scientific research to identify and promote effective actions that strengthen homes, businesses, and communities against natural disasters and other causes of loss. IBHS research focuses on wildfire, rain, hail, and wind risks, including efforts to understand and reduce the damage from severe convective storms, tornadoes, and straight-line wind.

While we have not formally considered the impact of climate change on our investment portfolio at the security level, we do have an investment strategy that limits investment in small municipalities with coastal hurricane exposures or catastrophic earthquake exposures. Additionally, we leverage an investment consultant to assist with oversight of asset managers to ensure proper focus on critical risk mitigation strategies in portfolio management.

IV. METRICS AND TARGETS

RESPONDING TO QUESTIONS 4, 4A, & 4C: Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

As mentioned in the prior sections, Grange uses Catastrophe modeling to measure weather- and climate-related risks. Grange leverages several metrics and targets in coordination with modeled event analysis to manage severe weather and climate risk exposure. Areas that were mentioned previously that also apply to this section are summarized below.

Reinsurance

We purchase catastrophe reinsurance up to and slightly above the 1-in-250-year model-indicated results to protect against extreme events. We also purchase aggregate reinsurance coverage to protect against the frequency risk of increased weather events. These reinsurance treaties keep the weather- and climate-related risks on our policies to manageable levels.

Underwriting

We have established risk tolerances for hurricanes and earthquakes and tools in place to monitor against those tolerances:

- For hurricane risk, we use market share. Tier 1 (highest risk) counties are limited to 1 percent market share. Tier 2 counties are limited to 2 percent market share.
- Earthquake risk thresholds are set so that aggregate losses per zip code based on deterministic damage ratios do not exceed the top of our catastrophe reinsurance cover.

As the science around climate risk evolves in the P&C industry, we will continue to adapt and refine our efforts. As mentioned previously, we are looking forward to benefiting from the results of climate change modeling that our partner Aon is developing.

RESPONDING TO QUESTION 4B: Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

While Grange does not directly track Scope 1, Scope 2, or Scope 3 greenhouse gas (GHG) emissions, opportunities to reduce our climate impacting footprint (*e.g.*, energy efficient buildings, remote work, and paperless billing) are performed as part of our normal operations. Since 2016, Grange has received environmental accolades with Leadership in Energy and Environmental Design (LEED) certifications from the U.S. Green Building Council for its headquarters in Columbus, Ohio. This certification represents a continuous effort by Grange to adhere to several environmentally rigorous standards. Grange also offers remote and hybrid work options for associates, which reduces our contributions to carbon emissions from commutes to work. We encourage our insurance customers to select paperless billing and leverage our website for access to electronic documents. Offering paperless options protects the environment, enhances the customer experience, and reduces our use of ink and electricity.