

## 2023 Climate Risk Disclosure Survey

### Governance

1. Disclose 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.

***Auto-Owners Insurance Group does not have any publicly stated goals on climate-related risks and opportunities. However, the Board of Directors together with management level associates carefully consider and evaluate climate related risks, the associated underwriting impacts, reinsurance needs, as well as opportunities for maximizing operating efficiency.***

- ***Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y/N)***

***No***

- ***Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y/N)***

***Yes***

- ***Does management have a role in assessing climate-related risks and opportunities? (Y/N)***

***Yes***

- ***Does management have a role in managing climate-related risks and opportunities? (Y/N)***

***Yes***

### Strategy

2. Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's business, 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 business, 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 opportunity 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.

***We carefully manage our exposure to catastrophic loss as part of our ERM program. This includes known risks and perils of hurricane, hail, earthquake, other wind, wild fire, and a major downturn in the investment arena. Specifically, strategic underwriting adjustments have minimized our South East coastal property exposure to mitigate risks posed by Atlantic hurricanes as well as wildfire exposure in our Western markets. Green energy initiatives undertaken include the use of solar energy options, paperless initiatives, water saving fixtures, and fuel efficient fleet vehicles. Our new South Campus building was constructed to be energy efficient. Several environmentally friendly features were utilized including:***

- ***Installed LED lighting inside the building and in the parking lot. We also use light harvesting and dimming strategies to reduce electrical usage.***
- ***Installed solar panels, which are estimated to generate an annual energy production of 531,000 kWh. This will be enough to power all the lights in the building.***
- ***Installed a high efficiency heating, cooling, and ventilation system.***
- ***Building Automation Systems were installed to measure and control the operating efficiency of the heating, cooling, and lighting systems.***

- *The building design also reduces our square footage per associate, which results in reducing our overall carbon footprint.*
- *We also installed an ice chiller that produces ice after hours in our original South Campus building. The ice is used during the day to cool the building*

*Some of our available discounts and policy service options introduced for business purposes serve to address potential climate change issues, such as: 1. Discounts for wind mitigation feature; 2. Discounts for new and hail resistive roofs; 3. Discounts for policyholders who prefer to view their policy declaration and billing invoices electronically. We have also made a capital contribution to the Institute for Business and Home Safety for the construction of their one-of-a-kind testing facility. We also have a seat on their Boards of Directors. We continuously monitor for risks to our book of business and financial health, but there are simply too many unknowns to justify action on any perceived but unproven risks. We assess each state and line of business at least annually.*

*We choose investments that are safe, sound, and secure and meet our overall needs. We do not have any investments that are primarily made to support a transition to a low carbon economy. Some of our investments generally support the transition. We have invested in some alternative energy tax credit transactions. We try to look at all of the risks that could impact our investments, including climate risks. This is done for all investment classes, but particularly for bonds and stocks. Our investment portfolio is periodically reviewed by reviewing investment reports from rating agencies, brokerage research, Value Line, Morningstar, and Bloomberg, among others.*

- *Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N)*

*Yes*

- *Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (Y/N)*

*Yes*

- *Does the insurer make investments to support the transition to a low carbon economy? (Y/N)*

*No, we do not have specific investments to support the transition to low carbon economies. We are not adverse to that, but we invest with broader goals in mind. We have safe, sound, and secure investments to meet our needs.*

- *Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)*

*Yes, we have looked at and are working to reduce and mitigate greenhouse gas emissions.*

## **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.

***We will identify risks as they are proven to exist and take appropriate steps to manage them, just as we do all other risks to the organization. Additionally, we have always focused on safe, sound secure investments. To the best of our knowledge, we do not believe climate change would have a material impact on our investment portfolio. We avoid risky or otherwise controversial positions in our portfolio. As previously indicated, we carefully manage our exposure to catastrophic loss as part of our ERM program. We assess each state and line of business at least annually. This includes known risks and perils of hurricane, hail, earthquake, other wind, wild fire, and a major downturn in the investment arena. Specifically, strategic underwriting adjustments have minimized our South East coastal property exposure to***

*mitigate risks posed by Atlantic hurricanes as well as wildfire exposure in our Western markets. Green energy initiatives undertaken include the use of solar energy options, paperless initiatives, water saving fixtures, and fuel efficient fleet vehicles. Some of our available discounts and policy service options introduced for business purposes serve to address potential climate change issues, such as: 1. Discounts for wind mitigation feature; 2. Discounts for new and hail resistive roofs; 3. Discounts for policyholders who prefer to view their policy declaration and billing invoices electronically; 4. We have an available online application that policyholders may utilize to file a claim, view policy documents, and make payments.*

- *Does the insurer have a process for identifying climate-related risks? (Y/N)*

*Yes, we identify climate-related risks as part of our general ERM.*

*o If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N)*

*Yes*

- *Does the insurer have a process for assessing climate-related risks? (Y/N)*

*Yes*

*o If yes, does the process include an assessment of financial implications? (Y/N)*

*Yes*

- *Does the insurer have a process for managing climate-related risks? (Y/N)*

*Yes*

- *Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)*

*Yes*

- *Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)*

*Yes*

- *Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)*

*Yes*

- *Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N)*

*Yes*

- *Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N)*

*No*

## **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.

***To the extent climate change influences weather, including hail, wind, tornado, wild fire, or hurricane, we model our exposure on an annual basis. Any trends would be reflected in updated models. Changes in claim activity influenced by climate change would also be reflected in our loss trends which would then follow through to our rate indications.***

- ***Does the insurer use catastrophe modeling to manage your climate-related risks? (Y/N)***

***Yes***

- ***Does the insurer use metrics to assess and monitor climate-related risks? (Y/N)***

***Yes***

- ***Does the insurer have targets to manage climate-related risks and opportunities? (Y/N)***

***Yes, through general profitability targets.***

- ***Does the insurer have targets to manage climate-related performance? (Y/N)***

***No***