

NAIC CLIMATE RISK DISCLOSURE SURVEY

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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

Governance – closed ended questions answered in addition to the narrative

- Does the insurer have publicly stated goals on climate-related risks and opportunities? N
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? Y
- Does management have a role in assessing climate-related risks and opportunities? Y
- Does management have a role in managing climate-related risks and opportunities? Y

Introduction

The mission of United Services Automobile Association ("USAA," the "Enterprise," or the "Association") is to empower our members to achieve financial security through highly competitive products, exceptional service, and trusted advice. We seek to be the #1 choice for the military community and their families. To better serve our members, USAA has integrated climate related strategies for our Association and is committed to empowering our members to minimize their climate-related risks, especially by helping them prepare for and recover from severe weather and natural disasters.

USAA is completing this survey on behalf of the insurers in the group, at the ultimate controlling parent level.

- **USAA Property and Casualty Insurance Group ("USAA P&C"):** USAA P&C includes United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company, USAA County Mutual Insurance Company, Garrison Property and Casualty Insurance Company, Catastrophe Reinsurance Company, and Noblr Reciprocal Exchange.
- **USAA Life Insurance Group ("USAA Life"):** USAA Life consists of USAA Life Insurance Company and USAA Life Insurance Company of New York.

Publicly Stated Goals

USAA has not publicly stated goals on climate-related risks and opportunities.

Enterprise Risk Management Framework

USAA's risk management philosophy centers on proactive, risk-aware decision-making. USAA is committed to a risk management framework that includes identifying, measuring, monitoring, controlling, managing, and reporting risks. USAA's Enterprise Risk Management Framework (the "ERMF") considers the external factors, of which climate is an example, as part of USAA's risk management activities. The ERMF defines the structure and approach to managing risk at USAA to support risk-taking activities that are aligned with risk appetite and strategic objectives. These risk management practices are operationalized through the ERMF and its related governance documents, organizational structures, and risk management processes and programs such as:

- Enterprise Risk Inventory and Assessment Programs: Climate Risk has been identified as a Top-of-mind emerging risk for USAA. Catastrophe risk is identified in the risk inventory as a top risk, as catastrophe risk presents the largest risk to our Homeowners, Rental Property, and Renters insurance product portfolio. Direct impacts on the property portfolio occur in case of mismanagement of catastrophe risk and the frequency or concentration of catastrophe events, which may be impacted by climate change. USAA's climate risk management addresses both Physical and Transition climate risk.
- Stress Testing: Stress testing scenarios at USAA include both macroeconomic and idiosyncratic risks, which are informed by the recurring updates of the risk inventory and socialization with management committees and board of directors, to gauge the impact to capital and liquidity adequacy and to inform the board of directors on alignment of risk profile with risk appetite. Generally, the scenarios include one or more P&C catastrophe events (extreme weather events).

Board Governance

The USAA Board of Directors (the "USAA Board") is the parent board that oversees USAA's risk management philosophy and risk and compliance culture, sets direction regarding USAA's corporate strategy and risk appetite, and promotes accountability across the Enterprise.

USAA board committees that have specific climate oversight responsibilities include:

- USAA Nominating and Governance Committee: Oversees USAA's strategy related to sustainability matters, including USAA's strategy around climate. This committee receives regular updates each year from the Chief Diversity and Sustainability Officer.
- USAA Risk and Compliance Committee: Oversees the implementation of, adherence to, and operation of USAA's ERMF. It reviews emerging and top risks, including climate risks, as part of its ERMF oversight responsibilities. This includes oversight of USAA's risk appetite, risk metrics, and processes to identify, measure, and manage risks. This committee receives updates on climate risks from the Enterprise's Chief Risk Officer and Chief Compliance Officer.

The Enterprise corporate governance system is centered around the USAA Board with separate subsidiary governance for USAA P&C and USAA Life companies. USAA Life Insurance Company of New York is governed by its own board of directors with climate-related oversight responsibilities, where discussions are held in accordance with the New York Department of Financial Services Guidance on Climate-Related Disclosures.

USAA's Risk Council, USAA P&C management committees, and USAA Life management committees have specific oversight responsibilities such as providing management of Enterprise-wide risk and providing a forum for strategic and operational business decisions.

Key Management Functions

USAA has several key leadership roles that assess and manage climate-related risks and opportunities:

- **USAA P&C Chief Actuary** – leads the P&C business performance analytics strategy, governance, control, policy development and actuarial community of practice for USAA. This includes the P&C Pricing actuarial functions, direct oversight of the P&C loss reserving actuary and the P&C catastrophe risk management and reinsurance teams. The P&C Chief Actuary helps connect the P&C line of business with the larger Enterprise and shares accountability for capital, investments, pricing strategy, information management, business performance and for overseeing and monitoring climate-related risk related to actuarial functions by analyzing data to better predict how climate can affect USAA P&C operations and members.
- **USAA Life Chief Actuary** – leads all actuarial functions for USAA Life, including life, health and annuity products as well as having the responsibility for reinsurance, modeling, and data and analytics. In addition, the USAA Life Chief Actuary chairs the Life Asset Liability and Risk Management Committee and is a member of the Life Senior Management Committee and has staff representation at the Life Compliance and Operational Risk Committee where climate-related risk is addressed in the appropriate context of USAA Life.
- **USAA Chief Investments Officer** – oversees the investment strategy and portfolios for USAA, USAA P&C, USAA Life, managing funds whose underlying assets are managed by third-party/unaffiliated investment companies or several internal investment teams. The USAA Chief Investments Officer is responsible for asset allocation and manager selection decision-making and is accountable for appropriately assessing and managing all risks associated with USAA's investment strategy, including financial risk.
- **USAA Chief Risk Officer** – responsible for overseeing Enterprise material risks, including that climate-related risks, are properly identified, measured, monitored, controlled, managed, and reported.
- **USAA Life Chief Risk Officer** – responsible for overseeing Life Company material risk, including that climate-related risks, are properly identified, measured, monitored, controlled, managed, and reported.
- **USAA P&C Chief Risk Officer** – responsible for overseeing P&C material risk, including that climate-related risks, are properly identified, measured, monitored, controlled, managed, and reported.
- **USAA Chief Diversity and Sustainability Officer** – established in 2022 and coordinates cross-functionally across USAA's lines of business and staff agencies to implement USAA's sustainability operating model and member-centric sustainability strategy.

USAA has incorporated oversight, assessment, and management of climate-related risks into its business strategy and established an appropriate climate-related governance structure. An Enterprise Climate & Environment Working Group was established in 2022 to coordinate and discuss climate-related risks and opportunities. This group comprises members from several key roles throughout the company, who are responsible for assessing and managing climate-related risks and opportunities. The Group meets monthly for awareness and coordination of climate-related risks and opportunities and plays a critical role in identifying risk, managing efforts to address the risks, establishing strategies, and understanding the impacts of climate-related risks to our businesses. It is co-chaired by the USAA P&C Chief Actuary and our

Chief Diversity and Sustainability Officer with representation from various departments across the Enterprise, including P&C Actuary and Underwriting, Life Insurance, Risk Management, Audit, Legal, Compliance, and Corporate Real Estate and Workplace Services (CREWS).

NAIC Climate Survey Response Strategy Section

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 1-5years as short term, 5-10years as medium term, and 10-30years 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 risks
 - Discuss if and how the issuer 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 - closed ended questions answered in addition to the narrative

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? Y
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? Y
- Does the insurer make investments to support the transition to a low carbon economy? Y
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? Y

Main risks and opportunities to USAA

At USAA, we specifically recognize that climate risk is a Top-of-mind emerging risk that is integrated into our existing ERMF. By incorporating climate risk in our ERMF, we can give appropriate consideration alongside other significant risks faced by USAA.

USAA has identified four primary areas of climate risk: (1) Physical risks, (2) Business Continuity risks, (3) Transitional risks related to Regulation, and (4) Physical and Transitional risks to Investment Portfolios.

The climate-related risks and opportunities are most prevalent in USAA's property and casualty business and investment portfolio. Risks to the life insurance business are most notable in USAA Life's investment portfolio, as further noted below.

1. **Physical risk** – USAA provides financial products and services to facilitate the financial security of its members, associates, and their families, including personal and commercial lines insurance products, primarily in the United States. Weather-related catastrophes affect a significant portion of USAA's personal lines insurance portfolio. USAA leverages sophisticated catastrophe models to set internal thresholds for capital that are conservative and enable the association to operate from a position of financial strength. These capital thresholds drive underwriting, pricing, and reinsurance-purchase decisions and seek to appropriately cover potential impacts of changing weather patterns. USAA is committed to preserving its financial strength and, as such, is taking the uncertainties surrounding natural catastrophes into consideration when setting internal capital thresholds. The company is prepared to withstand a once in a multi-century catastrophe event and maintains a conservative premium-to-surplus ratio to support its financial strength. USAA's internal capital thresholds are considered when setting geographic and financial growth strategies. USAA also maintains a comprehensive liquidity risk management program, including detailed contingency funding plans and access to comprehensive and diverse funding sources, to ensure ongoing financial strength to meet USAA's obligations to members through a range of multiple catastrophic events over multiple years.
2. **Business continuity risk** – An increase in the frequency and/or severity of catastrophic tropical cyclones or flooding in high-risk regions of coastlines along the Gulf of Mexico and East Coast or wildfires in western states, and tornados, could all potentially impact USAA's operations. While USAA's regional offices are located in high-risk areas of the United States (Arizona, Colorado, Florida, Texas, and Virginia), contingency plans are in place to allow for continued service to members if a regional office is impacted. Mobile equipment, extensive training, a flexible remote work program and a geographically dispersed workforce enables USAA to respond swiftly after a major catastrophe. A geographically dispersed workforce also minimizes significant impact to operations from a major catastrophe in a location where the workforce may be concentrated.
 - USAA is recognized by the National Oceanic and Atmospheric Administration (NOAA) as a Weather Ready Nation Ambassador as a result of its collaboration with NOAA to share preparedness messaging to the public, serve as an example by implementing resilience best practices, and advance outreach to vulnerable populations.
 - Since 2011, all USAA locations are StormReady® certified by the National Weather Service. StormReady organizations are better prepared to respond to emergency weather situations through advanced planning, education, and awareness.
3. **Transitional risk related to Regulation** – Over the last decade, insurance regulators have taken a more active role in evaluating the pricing and underwriting of climate risk. USAA has built a team with considerable experience in catastrophe risk management and appropriate industry

certifications. This team provides catastrophe risk insights and innovative approaches to tailor catastrophe model results and better reflect USAA's risk. In addition, USAA also works with federal, state, local authorities, non-profit organizations, and insurance-related organizations – such as the Insurance Institute for Business and Home Safety (IBHS) and the Federal Alliance for Safe Homes (FLASH) – to promote wise geographical growth and building code standards for new construction.

4. **Physical and Transitional risk to investment portfolios** – USAA maintains a diversified investment portfolio in multiple asset classes across a range of industry sectors that mitigates the portfolio's exposure to climate related risk. Environmental, Social, and Governance (ESG) related factors are considered in the security credit analysis by our investment managers. The USAA Chief Investment Office has determined that Climate Related Financial Risk is currently low across our aggregate investment portfolios. USAA recognizes that in the medium to long-term timeframe, potential changes in public policy and consumer expectations, and the technological impacts of climate change could impact USAA's investment portfolio performance and maintains significant portfolio liquidity that will allow for repositioning as needed. Ongoing monitoring and assessment will continue.

In addition to these primary risks, USAA considers the potential for related secondary risk exposures, such as reputation and strategic risks. For example, these may arise from claims handling processes reaching maximum capacity, necessary rate increases to cover catastrophe risk exposure, or service interruptions in a scenario where business continuity is impacted by weather events.

Environmental stewardship

USAA's approach to environmental stewardship is grounded in the belief that taking care of our members and employees means taking care of the communities where we live, work and play. That is why we value sustainability, conservation and helping those communities become more resilient.

As part of this stewardship, USAA is committed to wisely using and conserving our natural resources by prioritizing efficient operations. In addition, our strategic sustainability blueprint addresses several other key areas including employee workplace health and wellbeing, employee engagement and external partnerships, energy and water consumption efficiency, resource conservation and encouraging recycling.

Certifications and Rating System

- USAA implements enterprise environmental stewardship measures for all enterprise physical assets. Third party certifications and rating systems such as Leadership in Energy and Environmental Design, Energy Star, Fitwel and WELL Health-Safety Rating enable the team to verify that operations and maintenance plans reduce environmental impact and improve occupants' health and well-being.
 - USAA's corporate properties exceed seven million square feet of Leadership in Energy and Environmental Design (LEED) certified space. LEED certification provides a framework to ensure buildings are healthy and cost-efficient. Our LEED certified buildings include the following campuses: San Antonio, Charlotte, Phoenix, Colorado Springs, Tampa Commerce and Tampa Crosstown.
 - Our main headquarters in San Antonio, as well as our Charlotte, Colorado Springs, Phoenix, and Tampa offices earned Fitwel certification. Fitwel is a third-party "healthy building" certification system. This certification validates CREWS's efforts in providing

high quality, productive and wellness-focused work environments for the health and wellbeing of our employees.

- USAA was designated as the first company in the insurance industry to earn the WELL Health and Safety Rating. USAA has earned this designation for the third year in a row.
- The Energy Star certification program rates USAA's McDermott Building, the largest Financial Office building in America to earn the Energy Star certification. Energy Star is a U.S. Department of Energy Program that recognizes facilities that have demonstrated superior energy performance relative to the performance of similar buildings within the United States.

Energy Efficiency

- Energy reduction, efficiency and conservation efforts and accomplishments to improve the environmental performance of enterprise operations include:
 - From 2019 to 2023, energy efficiency measures saved over 19 million kilowatt hours even with the expansion of our building portfolio. Energy conservation measures include continuous improvement adjustments on a floor-by-floor basis to match varying occupancy.
 - USAA's cool roof initiative actively replaces roofing at USAA-owned facilities with energy saving reflective white roofs.

Renewable Energy

- USAA is San Antonio's largest purchaser of CPS Energy's wind power and the 68th largest user of green power among Fortune 500 companies in a voluntary program sponsored by the U.S. Environmental Protection Agency.
- Since 2010, the Phoenix campus operates a 1.2-megawatt solar installation. In 2022, it generated 1.9M kilowatt hours.

Commuting

- The vanpool program signifies our longstanding commitment to support the environment by reducing vehicular pollution.
- In the Fall of 2021, USAA launched an opportunity for employees to deduct work related transit, and parking expenses on a pre-tax basis.
- USAA's commuter program includes a guaranteed ride home program and an internal portal for employees to be matched with other employees to join a vanpool, carpool, bus, or bike. USAA has several active routes serving major office locations.
- USAA provides employee workplace electric vehicle charging at major campuses. A pilot program for eight Level 2 charging stations opened to employees in July 2024 at USAA's Bank Services Building Parking Lot. Eight Level 2 chargers will open at USAA's San Antonio South Parking Garage in August 2024.

Recycling

- We recycled more than 3 million pounds of paper, glass, plastic, and other materials reducing landfill waste by more than 50% in 2023.

- In 2008, USAA eliminated the use of Styrofoam products in all its cafeterias and since 2010, USAA has composted food wastes within its kitchens and dining areas.
- As part of USAA's recycling program, since 2011, USAA has sponsored employee recycling events in the Spring and Fall at our major campuses and distributed centers. The purpose of the event is to provide enterprise sponsored time and convenience for employees to recycle their electronic devices (e.g., televisions, pcs, monitors, small appliances) and properly dispose of personal/confidential documents at no charge in a safe and environmentally responsible manner.

Water Conservation

- Since 2019, USAA's office facilities have reduced freshwater consumption by 31%.
- All our restroom facilities have been equipped with automatic water dispensing valves for faucets and low flow fixtures for toilets.
- We encourage the reduction of single-use plastic bottles by installing refillable water stations. New refillable water stations will continue to be added at USAA facilities.
- We decommissioned architectural landscape water features in San Antonio.
- USAA's main headquarters, in San Antonio, operates on recycled water for all exterior landscaping.
 - Since 2004, USAA has saved an average of 60 million gallons a year of Edwards Aquifer water by utilizing recycled water for landscape irrigation.
 - In 2018, the Home Office began using recycled water for its cooling tower operations and now, combined with the recycled landscape water use, the enterprise saves about 130 million gallons of Edwards Aquifer water annually.

Resilience of USAA's strategy

USAA has implemented regular, ongoing monitoring of catastrophe model performance on USAA's current book of business to quantify risk posed by catastrophes under current climate conditions. Concentration risk routines are also executed regularly, with action plans to reduce risk when thresholds are exceeded. These risk management routines protect the financial stability of the Association against unacceptable catastrophe risk as it evolves over time.

The Intergovernmental Panel on Climate Change (IPCC) highlights several Shared Socioeconomic Pathways (SSPs) with resulting Representative Concentration Pathways (RCP) Scenarios. USAA licenses climate conditioned models to provide future-state insights into risk from all of these SSP scenarios. Since SSP1 and SSP2 reflect minimal change, USAA is confident in execution against these two scenarios. To assess USAA's level of long-term resiliency against the remaining scenarios, USAA has partnered with catastrophe model vendors to assess the risk to USAA's book of business from SSP3 and SSP5 in atmospheric conditions expected in future decades as far out as 2050 and 2100. Results from these studies give management reassurance of the robustness in USAA's current risk routines to respond to this evolving risk.

Engagement with Key Constituents

USAA takes a member-centric approach to sustainability. Sustainability issues, including climate risk, are discussed with management, the appropriate committees on USAA's Board of Directors, and regulators of USAA's insurance businesses. USAA members are regularly encouraged to share their perspectives with the CEO, whose office maintains a robust member relations program.

USAA also regularly communicates to members and key constituent groups (including military affinity organizations such as The American Legion) the many programs available to help protect USAA members' autos, property, and lives. USAA promotes weather-related loss prevention and safety advice through member communications such as articles on usaa.com, content marketing, social media, and public relations efforts via the news media. Additionally, in 2017, USAA became the title sponsor of two conferences: StormCenter Live and the National Tropical Weather Conference. These conferences seek to provide updates to the meteorological and emergency management community as well as others on the latest technological and scientific findings on the causes and behavior of severe weather. This information is then used to communicate risks to the public and provide education on steps to mitigate exposure to loss from severe weather events.

In addition, USAA was a founding member of IBHS and continues to support its mission "to conduct objective scientific research to identify and promote the most effective ways to strengthen homes, businesses and communities against natural disasters and other causes of loss."

USAA was a founding member of FLASH and continues to support its mission "To promote life safety, property protection and resiliency by empowering the community with knowledge and resources for strengthening homes and safeguarding families from natural and man-made disasters." In 2016, in partnership with USAA, FLASH joined the Federal Emergency Management Agency (FEMA), the National Oceanic and Atmospheric Agency (NOAA) and The Weather Channel to create #HurricaneStrong, a national hurricane resilience initiative that won the Outstanding Achievement in Public Awareness Award at the National Hurricane Conference. The outreach campaign, seeks to increase public safety and reduce damages from hurricanes by educating and helping prepare millions of Americans in hurricane-exposed areas with five key messages:

1. Personal Safety-Know your evacuation zone
2. Family Preparedness-Build a disaster supply kit
3. Financial Security-Have an insurance checkup
4. Damage Prevention-Strengthen your home
5. Community Service-Help your neighbor

In 2022, 2023 and 2024, USAA's P&C Chief Actuary led a climate change class for leaders in the financial services industry at The Wharton School of the University of Pennsylvania.

USAA's Investments

USAA uses an investment manager to oversee its portfolios. The manager along with the USAA investment team factor sustainability considerations (e.g., transition risk, leaders / laggards by sector, risk management view) into investment decision-making alongside the traditional investment process. The active manager integrates sustainability consideration into processes to help reduce transition risk. USAA has also invested in the energy transition through private equity / infrastructure funds and through renewable tax credit equity.

USAA has issued multiple sustainability bonds supporting initiatives that relate to climate risk and resiliency such as green buildings or the Bank originating auto loans for members financing electric vehicles.

Supporting USAA Members' Resilience to Natural Disasters

Through its membership in several disaster-mitigation and community resiliency focused organizations, USAA's corporate social responsibility efforts tie into helping rebuild military communities' post-disaster

through partnerships with community leaders, military leadership, and non-profit volunteer organizations such as Team Rubicon and the American Red Cross.

For example, USAA provides its members with access to multiple programs and services to help them mitigate wildfire-related property loss, including the Wildfire Response Program, USAA's Property Risk Assessment Tool, and support for Firewise communities discussed in response to question three. As a member of the National Association of Mutual Insurance Companies (NAMIC), USAA has also been instrumental in supporting the creation of the IBHS Wildfire Prepared Home designation in California. In addition, USAA actively participated in industry working groups that worked with regulators to establish the California Wildfire Mitigation Discount, which is now mandatory in California.

USAA is committed to promoting resilient construction throughout the United States and in coastal areas in particular. Exceptions to USAA's coastal underwriting guidelines for homes built to the IBHS Fortified Gold and Silver standards are available in all states outside of Florida. In the state of Florida, USAA allows exceptions to its coastal underwriting guidelines for homes built to the IBHS Fortified Gold standard. USAA has partnered with windstorm mitigation companies to offer reduced-cost inspections to its members to encourage inspections and provide education on the actions its members can take to further protect homes against high wind exposure, while also earning a discount on their premium if eligible for the Florida Building Code credits. These credits are mandated by the state of Florida to consumers who have home features that are more likely to withstand the impact of a tropical cyclone event. If members choose to take action to retrofit their homes to obtain additional FBC credits within one year of their initial premier assessment, a follow-up inspection is available at no cost to verify that the work was done properly. Members can then submit this inspection form to USAA to receive savings on their homeowner's insurance policy.

In 2020, USAA undertook an initiative to understand the impact of climate change on non-catastrophe related weather losses on the property book of business to identify any opportunities to further reduce exposure from weather events. This initiative reinforced the value of current mitigation offerings and efforts to expand them in the upcoming years.

NAIC Climate Survey Response Risk Management Section

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 insurers' 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 – closed ended questions answered in addition to the narrative

- • Does the insurer have a process for identifying climate-related risks? Y
- o If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? Y
- • Does the insurer have a process for assessing climate-related risks? Y
- o If yes, does the process include an assessment of financial implications? Y
- • Does the insurer have a process for managing climate-related risks? Y
- • Has the insurer considered the impact of climate-related risks on its underwriting portfolio? Y

- • Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? Y
- • Has the insurer considered the impact of climate-related risks on its investment portfolio? Y
- • Has the insurer utilized climate scenarios to analyze their underwriting risk? Y
- • Has the insurer utilized climate scenarios to analyze their investment risk? Y

USAA maintains strong risk management routines to identify, assess and manage climate-related physical risks within the insurance portfolio. USAA's highly skilled personnel run, validate, implement, and monitor the use of industry-leading licensed catastrophe models to support the assessment of financial risk from hurricanes, wildfires, floods, tornados, severe thunderstorms, and winter storms. Where appropriate, model results may be calibrated or results from multiple models may be blended to better represent USAA's historical claims data for the current book of business. Model performance against the USAA book of business is formally reviewed at least annually. In addition, an independent Model Risk Management team reviews model performance at least annually. Modeled loss data supports many downstream functions and is updated many times each year for the forecast and planning process and quarterly for the concentration risk and capital planning analyses. Many risk metrics are utilized in these analyses, to include Average Annual Loss (AAL), TVaR (Tail Value at Risk), and PML (Probable Maximum Loss).

In addition to monitoring climate risks for the near term, USAA has engaged in long-term climate change studies to assess the future risk in 2030, 2050 and even 2100 of the current book of business under different IPCC RCP scenarios for hurricane and wildfire risk. These studies provide leadership with insights into the long-term emergence of climate risk under moderate to stressed conditions.

USAA uses an investment manager to oversee the investment portfolios. This manager utilizes climate modeling that analyzes risks such as temperature change, precipitation, sea level increase, wind damage, and storm surge. They then convert these physical risks into the potential economic impacts. Moreover, policies on reducing carbon emissions and exposure to regulatory risks are also considered. Based on these estimates, the manager then assesses the impacts to USAA's investment portfolio. Their model considers both short and long-term risks.

Finally, climate risks are also assessed at the enterprise level through many risk management practices defined in the ERMF, including identification of Top Risks and Emerging Risks to the enterprise. USAA's Enterprise Stress Test scenarios for the past several years have featured natural catastrophe events that align with the most commonly accepted industry viewpoints. These catastrophe event scenarios are used to stress not only P&C financials and reinsurance markets, but also to prompt enterprise-wide analysis around mortality assumptions, impact to USAA offices, credit worthiness of members, and other economic implications.

NAIC Climate Survey Response Metrics and Targets Section

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, 2, and if appropriate, 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 – closed ended questions answered in addition to the narrative

- Does the insurer use catastrophe modeling to manage your climate-related risks? Y
- Does the insurer use metrics to assess and monitor climate-related risks? Y
- Does the insurer have targets to manage climate-related risks and opportunities? Y
- Does the insurer have targets to manage climate-related performance? Y

USAA strives to provide comprehensive insurance coverage to its members. Active-duty members cannot choose where they live, and many live in catastrophe-prone areas. The IPCC Assessment Report 6 (AR6) highlighted with high confidence that the risk of major hurricanes, wildfires and inland flooding is expected to increase in the future. USAA monitors and manages these risks through strong catastrophe risk management routines with catastrophe modeling results providing a foundation to appropriately quantify the risk.

- **Hurricanes** represent USAA's largest natural catastrophe threat to capital. Various industry global climate models and research suggest that tropical cyclone storm intensity and hurricane-induced precipitation may increase due to warmer sea surface temperatures and higher moisture content in the atmosphere, leading to higher insured losses and higher societal costs. This is exacerbated when combined with increasing property values and population growth in catastrophe-prone areas. USAA is committed to preserving its financial strength over the long-term, taking the uncertainties surrounding natural catastrophes into consideration when setting conservative capital requirements, as discussed in response to question two. USAA's pricing and planning are based on industry-leading hurricane

catastrophe modeling results, with multiple hurricane models available for consideration. In addition, USAA partnered with a catastrophe model vendor to assess USAA's long-term future hurricane risk, given an IPCC industry scenario with future sea level rise estimates also incorporated. Such analyses give USAA leadership further confidence in the robust nature of the catastrophe risk management routines to flex with changing climate and economic conditions.

- **Storm Surge and Flood** industry research points to a rise in global sea levels, increasing the impacts of storm surge from hurricane events. USAA's current insured exposure to storm surge risk is greatly mitigated through the use of coastal underwriting restrictions. In the areas with coastal underwriting restrictions, high storm surge exposures are only written when members meet exceptional requirements, such as an IBHS fortified home. Flood risk represents less than 1% of USAA's catastrophe exposure – the majority of which corresponds to the renters and automobile lines of business. Storm surge and hurricane precipitation are included in the hurricane catastrophe model results. The remaining flood risk is modeled through an Inland Flood catastrophe model.
- **Wildfires** have been increasing in frequency and severity due to the effects of land development in the Wildland Urban Interface (WUI), untamed vegetation, and seasonal drought conditions. USAA uses robust catastrophe models to assess wildfire risk at the individual address level as well as at an aggregate level. In addition, USAA partnered with a catastrophe model vendor to assess USAA's long-term future wildfire risk, given an IPCC industry scenario. As with the hurricane risk, such analyses give USAA leadership further confidence in the robust nature of the catastrophe risk management routines to flex with changing climate and economic conditions.

Finally, prevention efforts are being expanded to further protect members. A few examples follow.

- Wildfire Response Program: One of several mitigation benefits offered to members in 14 states most susceptible to wildfires is a wildfire response program through three different vendors. Members in those states who have a USAA homeowners or rental property insurance policy are automatically enrolled in the program at no additional cost. The vendors monitor wildfire activity and take proactive mitigation measures to help protect USAA members' properties when an active wildfire burns nearby. In the program, certified wildland firefighters safely go behind fire lines (with permission from the Incident Commander) to assess potential risk and assist with mitigation efforts. These firefighters go into an evacuation zone to member homes before a fire reaches them and take measures to help prevent a loss (reinforcing mitigation actions members should also perform, such as closing windows and garage doors, moving wood piles away from the homes, clearing debris from under wood decks, clearing gutters, and removing debris from rooftops). After the fire sweeps through the area, wildland firefighters may go back to members' homes and ensure no spot fires are smoldering that could cause additional damage.
- USAA's Property Risk Assessment Tool: Too often, homebuyers purchase a property only to learn later that it is in an area prone to natural disasters. USAA's Property Risk Assessment Tool helps members eliminate those surprises. The online tool enables members to enter the address of any U.S. home and get information about the property's general exposure to various natural disasters, such as wildfire and flood. It also offers tips on how to reduce the likelihood or impact of loss.
- Firewise Communities: USAA actively supports the development of recognized Firewise Communities, which decrease the risk of loss due to wildfires. USAA offers an insurance discount for homes in communities with the National Fire Protection Association (NFPA) "Firewise" designation. USAA also actively partners with many state and local government agencies to promote Firewise principles and help communities learn best practices to address local fire conditions. USAA also actively supports research to determine which factors motivate communities to choose to become Firewise.

There is much uncertainty around the future impact of climate change on **Severe Thunderstorm** and **Winter Storm** risks. Multiple catastrophe models are used to measure these catastrophe risks, with innovative approaches to bring results in line with actual USAA historical loss experience.

USAA has a Catastrophe Risk Management unit that monitors risks posed by natural catastrophes, including the long-term impact that climate risk trends could have on natural catastrophes. USAA uses a suite of catastrophe models licensed from well-known and well-respected vendors. The Catastrophe Risk Management unit has dedicated a team of highly skilled staff to run these models internally, validate the models, monitor results, and improve how the modeled results reflect USAA’s specific catastrophe risk through various innovative approaches. Catastrophe model results are updated monthly to track the impact of exposure changes on projected losses (Average Annual Loss, Tail Value-At-Risk, and Probable Maximum Loss). Concentration risk routines are also executed regularly, with action plans to reduce risk when thresholds are exceeded. These risk management routines, along with a robust reinsurance program, protect the financial stability of the association against unacceptable catastrophe risk as it evolves over time.

Greenhouse Gas Emissions

USAA uses the “Climate Registry: General Reporting Protocol” and the “Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard” to collect activity data and calculate emissions. The operational control boundary method is used to define the reporting boundary for climate-related impacts for the enterprise. In accordance with the GHG Protocol Scope 2 Guidance, USAA reports both location-based and market-based Scope 2 emissions. USAA’s efforts are focused on Scope 1 and Scope 2 emissions.

Metric	2019	2020	2021	2022	2023
Scope 1 emissions (metrics tons CO2e)	13,277	6,676	7,317	9,600	9,771
Scope 2 emissions: Market-based method	59,167	49,872	47,349	48,438	42,236
Scope 2 emissions: Location-based method	72,461	62,321	59,694	60,783	53,933

Third party limited assurance of Scope 1 and Scope 2 emissions are complete for 2019 – 2023.