



Approach to Climate Risk

For Ascot Insurance Company ("Ascot"), and its affiliated entities, climate change represents an urgent global concern.

As an industry founded on its ability to identify risks and opportunities from an evolving landscape, As climate change continues to evolve it is imperative that both Ascot manages climate risks within its Enterprise Risk Management ("ERM")

We have identified the following areas for climate change risk:

- 1- Underwriting Risk -** Increasing frequency and intensity of weather related events has elevated loss costs for property focused accounts. As these trends continue they will require increased management actions related to targeted geographies, adjusting terms and conditions, adjusting pricing and changing underwriting appetites especially for property heavy products.
- 2- Investment Risk-** As an insurance company we have significant amounts of assets invested in order to support our businesses. As a result, it is important for Ascot to align our investments with companies that have similar values especially when it comes to climate related risks.
- 3- Group Reputation Risk-** Climate Related Risk is a major focal point of all our stakeholders, and here at Ascot we believe in delivering a collaborative, inclusive, entrepreneurial culture steeped in underwriting excellence, integrity, and a passion to find a better way. It is with that at our core, that we are committed to developing a Sustainability strategy that encompass environmental, social and governance factors that supports our values.

Recommended Disclosures	Response/Comment
Governance	
1. Disclose the insurer's governance around climate-related risks and opportunities.	<p>Ascot Insurance Company climate risk is managed at the Ascot Group Limited (ultimate group) level with reporting an input from subsidiary entities and intermediate holding companies. Ascot has not made any stated public goals for climate-related risks and opportunities at this time. Throughout this document, references to "Ascot" are deemed to include Ascot Insurance Company as respondent, and are on a group level unless an entity or geographic region is specified.</p> <p>Climate-related disclosures are handled at the group level with significant collaboration between entities on disclosures where appropriate, facilitating an improved understanding of local requirements and contexts. Each region is currently responsible for providing information for greenhouse gas emissions reporting, exposure to catastrophe exposed risks, and all modeling of such exposures are performed using a consistent methodology across the group. Work began in 2022 to establish group level greenhouse gas emissions data.</p>
A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.	<p>The Ascot Group Limited Board is the ultimate supervisory body of Ascot Group. The Board is responsible for assessing and understanding climate-related financial risks and opportunities for Ascot Insurance Company and subsequently developing and maintaining an approach to the disclosure of said risks and opportunities.</p> <p>Ascot Group Limited has multiple board sub-level committees who also have responsibilities concerning managing climate-related financial risks. For example, the Nominations and Governance Committee is responsible for all issues related to sustainability. For the US, we do not have any dedicated board members or committees at this time but as part of the US CRO report we discuss climate risk matters related to the US.</p>
B. Describe management's role in assessing and managing climate-related risks and opportunities.	<p>US Senior Management plays an important role in assessing and managing climate-related risks and opportunities. Climate-related risks are discussed during Functional leadership monthly meetings as well as in detail during US Risk Committee quarterly meetings, which are attended by all senior functional leads. Any significant risk or opportunity that would impact stated aggregate exposure limits would need to be brought up to group level committees, such as the Exposure Management Committee, in order to fully understand the risk and ensure it does not exceed our risk appetites.</p> <p>In 2023, we will look to roll out the US Sustainable Underwriting Policy that leverages the Group framework . We do note that the US is subject to multiple state regulators that have different stances on climate change and will need to considers these when adopting a broader strategy however we will leverage the group framework as our baseline in the US. This process will involve meetings with different classes of underwriters across Ascot's US offices. These initiatives will enhance our understanding of the correlation of climate risk aggregations within our underwriting portfolios. Ascot Group investment portfolio is scored by New England Asset Management (NEAM) using the Sustainalytics methodology. NEAM is a signatory to the United Nations Principles of Responsible Investment. Ascot's Investment management team is highly engaged with our asset managers to ensure that our capital allocations are in alignment with our core fundamentals.</p>
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.	<p>Internally, Ascot distributed its 2022 Sustainability Report to all employees group-wide in Q1 2023. This Report informed employees of climate-related goals and more generally Ascot's sustainability initiatives throughout 2022.</p> <p>Further to this, we have also released our Sustainable Underwriting Policy at the Group level. Within the Sustainable Underwriting Policy, Ascot reaffirms its support for the UN Principles for Sustainable Insurance, providing insurance that aims to reduce risk, develop innovative solutions, improve business performance, and contribute to environmental, social, and economic sustainability. As previously discussed, this will be adapted to reflect regional variations in the US in 2023. Finally, in September 2022 Ascot facilitated Board training that included climate-related risk components.</p> <p>Ascot Group is currently undertaking a project that includes collecting all relevant scopes 1, 2 and 3 emissions data from our baseline in 2020 through to 2022. This project will support the development of an emission reduction roadmap allowing for the identification of focus areas for emission reductions, including working alongside building managers across all Ascot's offices, our employees, and our supply chain where necessary in a collaborative approach.</p> <p>Alongside emissions data collection, Ascot encourages suppliers to have a sustainability policy in place and monitor and reduce environmental impacts. Additionally, Ascot expects suppliers to follow all necessary regulations in this area. Finally, Ascot is working to reduce international business travel by encouraging online conferences where possible. In 2023, Ascot plans to continue this work, including the dissemination of a commuting survey to help employees consider greener modes of transport and support the data collection for scope 3 emissions.</p>
A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.	<p>Ascot has defined short, medium, and long-term views in a similar fashion, consistent with how our other regulatory bodies of the group view them:</p> <ul style="list-style-type: none"> · Short term- 0-5 years. · Medium to long term- 5-30 years.
B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.	<p>Ascot continues to develop a number of initiatives in supporting the transition to a low carbon economy. Ethos Specialty is a member of the Ascot Group, focused on developing high-performance specialty insurance programs. In 2022, Ethos Specialty launched its Clean Technology program providing commercial solutions to emerging technologies.. Ascot continues to examine new insurance product offerings and risk management measures that aim to respond to climate-related risk.</p> <p>Ascot Group Limited largely follows an outsourced investment management model. As a result, we rely on our investment managers to conduct thorough security analysis taking into consideration various factors including climate-related risks. In our selection of new investment managers, we conduct an in-depth due diligence considering their approach and integration to responsible investing. Internally, we periodically review carbon risk metrics for our portfolio as measured against a benchmark to assess our Scope 1,2 & 3 emissions. In addition, we conduct stress testing on our portfolio using the Climate Biennial Exploratory Scenario (CBES) to determine our exposures to climate change.</p>

<p>C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.</p>	<p>Climate-related scenario modeling was limited in 2022. However, in 2023 Ascot began to perform deep dives into climate change impacts in order to properly assess how we should interpret these results and implement a strategy to effectively manage these exposures over both the short term and long term.</p> <p>In 2021, at a Group level, Ascot began to model its portfolios for various climate change scenarios. Ascot used assumptions of temperatures warming by 1.5, 2.5, and 4.5 (extreme scenario) degrees Celsius to assess the increased loss potential associated with climate risk in line with the Prudential Regulation Authority's Climate Biennial Exploratory Scenario. Ascot has developed a risk management framework to mitigate climate related perils. Ascot is working towards using scenario analysis to assess the future impact of climate change on the medium-long term, by applying loading factors to natural catastrophe models to account for changing frequency or severity of events. Additionally, the Ascot View of Risk (AvoR) based on catastrophe models and historical data is used to manage current day and short-term risk of climate change.</p>
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Risk Management	
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<p>3. Disclose how the insurer identifies, assesses, and manages climate-related risks.</p>	<p>For physical risks Ascot manages its geographical aggregations using both proprietary exposure management process and third-party vendor modeling platforms. Ascot has developed a risk management framework to mitigate climate related perils. Ascot is working towards using scenario analysis to assess the future impact of climate change on the medium-long term, by applying loading factors to natural catastrophe models to account for changing frequency or severity of events . Additionally, current day and short-term risk of climate change is managed based on a blended view of catastrophe models and historical data.</p> <p>With respect to transition and liability risks, Ascot is in the process of finalizing the US Sustainable Underwriting Policy to ensure risks within its appetite remain actuarially sound. Ascot takes a holistic view to managing climate risks as we look to balance the social ramifications of such approaches in conjunction with the impacts from a climate change perspective. For liability risk, we have developed realistic disaster scenarios to assess potential impacts as well as work with our reinsurance partners to use third party aggregation software to assess the potential risks in our book.</p> <p>Ascot has not begun discussions with its clients around how to manage physical and transition climate related risks, that said, the effectiveness of management is a key consideration in its underwriting decision-making process.</p> <p>Investments are outsourced to New England Asset Management Limited ("NEAM"). NEAM has been a signatory to the Principles for Responsible Investment since June 2019, which is the basis for their "Sustainalytics Methodology" investment framework. NEAM supports the goal of the UNFCCC 2015 Paris Agreement of limiting global temperatures to below 2 degrees Celsius, and has built quantitative and qualitative analytics to assess the impacts to our portfolio based on these conditions. Ascot's expectation clearly states that all asset managers' (NEAM) approach is consistent with the standards set out in this policy.</p>
<p>A. Describe the insurers' processes for identifying and assessing climate-related risks.</p>	<p>Climate-related risks discussed regularly as part of Ascot Group's Global Exposure Management committee and is a focal point of our property catastrophe management process. Ascot's Exposure Management Committee meets bimonthly to discuss developments in natural catastrophe risk management strategy, and oversees and approves any changes to strategies, including those resulting from climate-related risk.</p> <p>The committee is responsible for identifying, assessing, and prioritizing climate-related risks and opportunities. Building on this, to identify and manage emerging trends and risks (including climate-related developments) Ascot has an emerging risk process that sits within the risk management framework. This includes active monitoring of data sources and outputs from stakeholder engagement to ensure we are fully aware of existing and emerging risks and opportunities including those relating to climate risk.</p> <p>Catastrophe modelling is a central pillar in climate risk management. The use of models to manage and assess risks is well established in the industry but may require internal adjustments to accurately capture the current day risk. Ascot works with third party vendors to understand the latest climate change impacts and how they are incorporated into risk models, helping to accurately assess the potential impacts of climate perils. Ascot also attends risk conferences to hear both academic views on climate risk as well as how the insurance industry is approaching modeling these emerging exposures.</p> <p>Ascot regularly communicates with its reinsurance brokers to understand the aggregation techniques, and climate change applications that are being used by the insurance industry. Ascot's regular communications with brokers/reinsurers, industry conferences and active communication with our insureds keep us well informed as to any customer demand shifts for products. Ascot has purchased and continue to invest in new technology to better understand flood risk as climate change has impacted this exposure and demand from its insureds.</p> <p>Ascot is in the process of developing financial assessments of climate-related risk to ensure that we capture the latest science and understanding of climate change as well as properly understand the assumptions and limitations of currently available tools.</p>
<p>B. Describe the insurer's processes for managing climate-related risks.</p>	<p>The enterprise risk management team is responsible for climate risk management, which includes measuring Ascot's catastrophe exposure, and Ascot actively utilizes reinsurance to manage its peak PMLs (probable maximum losses). Ascot's gross positions are reduced in the US by use of reinsurance, which highlights Ascot's focus on actively managing its catastrophe risk. Ascot has a long track record of outperforming the industry as a Group with respect to catastrophe losses and takes a conservative approach to modeling tail events. Additionally, Ascot utilizes the warm weather AIR model for tropical storms, which factors in increased activity and severity of storms due to rising sea levels and temperatures. Ascot also applies all secondary loss perils to consider an uncertainty in loss estimates that may occur due to exposures from climate change. To supplement Ascot's modeling of catastrophe risk, exposure management actively monitors coastal risks for exposure to climate change. Ascot is developing a similar approach for wildfire risk and is currently assessing third party wildfire models. In addition, Ascot continues to evaluate methods to measure and mitigate changing flood exposure resulting from climate change.</p>

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.

Climate change is an integral part of Ascot's risk and exposure management process. The governance structure at Ascot enables regular reporting on climate risks and opportunities. The Board is the senior decision-making body of the company and is actively engaged in understanding how we assess and measure our exposures, and the potential impact from climate change. Reporting to the board occurs on a quarterly basis on our risk positions relative to capital positions.

Additionally, the Ascot risk management framework was presented to the exposure management committee. This committee is responsible for overseeing the methodologies, systems and processes used to monitor the accumulation of risk exposure across the Company. The framework is set to be reviewed in 2023 with the Chief Underwriting Officer, Chief Risk Officers across each group function, and key underwriters to further review possible strategies for managing climate risk.

Climate-related risks managed as part of the overall enterprise risk management process and Ascot has been actively investing in resources to address this exposure with greater focus. The UK Chief Risk Officer is also appointed as the Group Chief Sustainability Officer, and in 2022 Ascot made significant hires to further accelerate our ability to manage and assess climate-related risks. This includes the establishment of our sustainability team on a group level, a team that is expected to further grow in 2023. Ascot report on climate-related risks on our bimonthly Group exposure management committees, and quarterly our natural catastrophe positions and trends are discussed at the US Risk committee that begun during the 2022 year.

In 2021, at a group level Ascot began to model our portfolios for various climate change scenarios. We used assumptions of temperatures warming by 1.5, 2.5, and 4.5 (extreme scenario) degrees Celsius to assess the increased loss potential associated with climate risk in line with the Prudential Regulation Authority's Climate Biennial Exploratory Scenario. At this stage we use these as stress testing and have not embedded these results into our pricing, and capital management strategies as the results from these exercises varied extremely and needed further exploration to understand which results were best suited for Ascot. We continue to assess and validate these impacts and how best to implement them into our broader business strategy setting.

Future loss expectations are forecasted, both to allow for the changing profile of exposures as well as the changing risk environment to the extent this is quantifiable. For the last two cycles of business planning (2022 and 2023 underwriting years), a recognition of increasing frequency and severity of natural catastrophe events has been reflected by the uplift of modelled output creating an uncertainty allowance over and above the expected catastrophe loss budget.

Investments are outsourced to NEAM, which supports the goal of the UNFCCC 2015 Paris Agreement of limiting global temperatures to below 2 degrees Celsius, and has built quantitative and qualitative analytics to assess the impacts to our portfolio based on these conditions.

Metrics and Targets

4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.

Scenario analysis can be used to assess the future impact of climate-related risks on the medium-long term (5-30 years) by applying loading factors to natural catastrophe models to account for changing frequency or severity of events. This analysis can be useful in determining Ascot's resilience to these impacts and to inform decision making.

Ascot uses catastrophe modelling to manage identified priority climate risks, including flooding (all types) and wildfires. More generally, this modelling is also used to manage other climate-related perils such as tropical cyclones, typhoons, and severe connective storms. These perils were identified when the Exposure Management R&D Team embarked on an expansive review of climate change physical risk in Q4 2022.

Ascot Group models all property exposed business through AIR Touchtone, our cat modeling software. This provides us with our aggregate exposures across geographies and both impacts to the US book and Group overall. We also supplement cat modeling by looking at realistic disaster scenarios that combine our liability exposure to climate related risks with our property exposures potentially impacted.

A. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.

The Group board sets the annual risk appetite for natural catastrophe risk on an annual basis which considers aggregate annual losses gross, and net of reinsurance taken from the capital model at multiple tail return periods. The catastrophe risk appetite is monitored as a percentage of the plan against the actual losses. In terms of ranking perils by exposure and climate change signal, Ascot selected on a TVAR (Tail Value at Risk) metric based on 1-in-200-year events.

As this work is still underway, we are also yet to establish the best metrics for managing the physical risk impacts of climate change beyond the metrics already established by exposure management. Possible metrics could include the AAL or EP curve of alternative model views where there are potentially current day impacts of climate change, or risk score tools that provide location or portfolio level scores for the potential future impact of climate change.

B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas () emissions, and the related risks.

Tracks track and report on Scope 1 and 2 emissions by entity. In 2022 Ascot calculated the total scope 1 and 2 emissions across US offices for 2021; 383tCO2e. During 2022, Ascot Group initiated a project to establish its scope 3 emissions, using 2020 as its baseline year. This project will be continuing into 2023 where all relevant scope 1, 2, and 3 emissions data for Ascot Group will be calculated for 2020-2022

Region	Energy	Unit	2020	2021	2022
US	Gas (Scope 1)	tCO2	12	33	9
	Energy (Scope 2)	tCO2	380	317	425

C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

Given the complexity of climate-related risk, and the rapidly evolving landscape of performance targets and metrics, Ascot continuously monitors the appropriateness of metrics in identifying its opportunities and performance.