

2023 Climate Risk Survey

Anchor General Insurance Company – NAIC 40010

1. Governance

Anchor General Insurance Company (“Anchor”) is a small, privately held auto insurance company writing non-standard private passenger automobile insurance in the western regions of the United States predominately serving the underserved community. The majority of the policies are purchased for state-mandated minimum limits of coverage as such, we do not believe we are in an industry that necessitates specific policies and resources dedicated to mitigation of the complex issues of climate change. We do monitor and evaluate risks including prospective risks and are aware of the potential risks of climate change to insurers, but at this time have concluded there would be no immediate impact to our business because of the short-term nature of writing only nonstandard auto.

As a small, privately held company, Anchor does not make any publicly stated goals on climate related risks and opportunities.

Anchor’s Board (which includes senior management) is responsible for the oversight of risk inherent to the business. Discussions surrounding climate risk take place as needed at board meetings and is embedded within the company’s overall Enterprise Risk Management policy.

2. Strategy

Since Anchor’s operations are comprised solely of non-standard private passenger insurance, with products offered at minimum state required limits coupled with diversification of geographic risk, we believe the impact of any potential climate change on our underwriting is minimal. Similarly, our claims are generally reported and paid in a short period of time and therefore investment risk is also minimal.

Anchor’s principal investment philosophy is very conservative with the primary emphasis on the preservation of principal and secondary emphasis on return of investment. A diversified and well managed portfolio achieves these core objectives. As previously noted, Anchor does not have a formal climate change policy, but it does include guidance within its Investment Policy with respects to California’s Climate Risk Carbon Initiative guidelines which limits investments in any company that generates 30% or more of its revenue from fossil fuels or use of thermal coal.

Anchor routinely assess areas in which the organization can operate more efficiently and has adopted informal measures to be environmentally responsible. As a result of the pandemic, Anchor now has approximately 70% of its workforce working remotely leading to a reduction in driving, emissions, and overall cost savings. This transition led to a significant reduction in office space needs with the company moving to a smaller more energy efficient building in July 2023. The new building has smart technology and motion sensor lighting which reduces electricity usage. The majority of communication and processes to insureds, producers, and employees is digitized reducing use of paper products and other resources. Recycled paper is encouraged when printing is necessary with recycling bins located

throughout the building. Anchor also has invested heavily in technology and has been increasing the use of online meetings and conference calls in lieu of traveling.

3. Risk Management

Since Anchor's operations are comprised solely of non-standard private passenger insurance, with products offered at minimum state required limits coupled with diversification of geographic risk, we believe the impact of any potential climate change on our underwriting and adverse claim frequency/severity trends is minimal. Managing risk is a vital part of our daily operations. Our senior management team is responsible for reducing Anchor's exposure by carefully entering and diversifying our presence in the market. Historical loss data and location of loss data helps us spot trends in the market and make proactive changes in our risk management. Anchor has not suffered any significant losses from climate-related events in the past, and this has not affected its performance or cash flow negatively. Anchor will continue to periodically review the risks based on historical loss data and decide if a change to its risk profile or investment policy is needed.

4. Metrics and Targets

Anchor is a small, private auto insurance company that specializes in nonstandard, minimum limits private passenger auto insurance. As noted previously, this means that it has very little exposure to climate-related risks. Currently, only one out of four insured vehicles have physical damage coverage. Even so, Anchor still tries to reduce climate-related risk but does not use a catastrophe modeling system. Instead, it depends on its own historical loss data, symboling assignments from third party vendors, density maps, publicly available statistics and the skills of its senior management team. Using these tools, Anchor can make reasonable predictions of expected weather-related disasters each year, at the state and city level. Also, with this data, Anchor can make changes in risk distribution as needed to limit the possible negative effects of climate-related losses on the company's financial operations.