CLIMATE RISK DISCLOSURE SURVEY - 2024

NAIC Group (#): Alliance Insurance Group (214)

Company Name: Farmers Alliance Mutual Insurance Company

NAIC Number: 19194

Governance

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 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.

1: Alliance Insurance Group, which includes Farmers Alliance Mutual Insurance Company, and all subsidiaries (Alliance Insurance Company, Inc. and Alliance Indemnity Company), does not have a specific climate change policy nor publicly stated goals as it relates to climate-related risks and opportunities; however, we do consider climate change in our risk management.

A: Alliance Insurance Group's Board of Directors ("Board"), as a whole, is responsible for the oversight of all risks, including climate-related risks and opportunities. As such, there is no specific position on the Board or committee that is responsible for the oversight of managing climate-related risks. The Board delegates Alliance Insurance Group's Corporate Leadership Team (CLT) with the responsibility of overseeing and managing all risks, including climate-related risks.

B: Management has an extensive role in assessing and managing climate-related risks and opportunities and then interfacing with the Board to ensure the Board has the appropriate information with which to exercise their oversight responsibilities. The CLT, which represents all areas of the company, meets on a weekly basis to discuss operational matters relating to the various lines of business, claims and support functions. All risks impacting the company are discussed, including climate-related risks. Alliance Insurance Group monitors and manages climate change risk as our management regularly assesses weather trends from multiple sources and contemplates changing weather patterns in its risk transfer strategies.

Governance – closed-ended survey responses in addition to the narrative:

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

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.

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. (Define short, medium, and long-term, if different than 1-5 years as short term, 5-10 years as medium term; 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 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 risk.
- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

2: Due to the nature of our business, climate change always poses a risk to our company. There is potential for an increase in losses, both in severity and frequency, and the ramifications are unknown. We can offset these risks by annually adjusting our coverages, rates, and underwriting guidelines. The geographical areas most affected by climate change include the areas that have the greatest risk for natural catastrophes such as the central United States. We provide substantial coverage in this area and the threat of tornados, thunderstorms and wildfire can be unpredictable. These risks are considered and evaluated during our strategy setting, risk management and financial planning processes, which takes into consideration the potential impact to our business and policyholder demand for our property and casualty insurance products, frequency and severity of claims experience, liquidity and capital resources, and reinsurance needs. We regularly utilize computer models to assess our concentrations of risk, potential impacts to frequency and severity of storms, and those interrelated effects on our underwriting and product pricing.

Our most significant property exposures, which are susceptible to climate-related changes, are primarily property coverages of our mutual policyholders. We hold various educational and marketing meetings with our agents and regularly discuss increased frequency and severity of storms based on recent weather results as well as trends identified in research papers and industry articles. Items addressed include monitoring concentration of exposure, as well as establishing appropriate pricing, deductible levels, and coverage limits.

Alliance Insurance Group holds memberships in various industry organizations such as the Insurance Institute for Business & Home Safety (IBHS). This organization is committed to conducting research to help strengthen property against natural disasters. In addition to having membership in various organizations, select employees attend risk management conferences that include the topic of climate change. In addition, we encourage policyholders to help with loss mitigation in roofing materials.

There is a discount offered to those who have acquired roofing surface for their home that will better withstand climate change. We provide additional coverage to replace damaged equipment with more efficient equipment through our equipment breakdown coverage.

Alliance Insurance Group does not have a formal plan to reduce or mitigate greenhouse gas emissions. Alliance Insurance Group's emissions are minimal, and Alliance Insurance Group is conscious of the environment. The policyholders of Alliance Insurance Group are located in rural parts of country, and Alliance Insurance Group partially services these insureds in person, working out of their homes in their respective territories. The primary emissions over which Alliance Insurance Group has direct control are cars driven by Alliance Insurance Group's field staff in remote areas of our geographic footprint. When possible, and as a part of fleet management, these vehicles are newer and thus are more fuel-efficient and get above-average gas mileage. Additionally, Alliance Insurance Group has migrated to LED lighting and recycled building materials for its headquarters and buildings. With regard to energy use for data storage, Alliance Insurance Group has located its backup systems in caves with controlled access and constant temperatures for a number of reasons, all of which is associated with risk management. The low, constant temperatures of the caves require less energy to keep the systems at the required temperatures.

A:
Short Term Climate-Related Risks – 1-3 years

- Exposure to catastrophic storm and weather events.
- Regulatory changes, including regulatory constraints on charging appropriate rates that consider possible weather changes and related losses that are not reflected by historical statistics.
- Increase in the frequency of severe, climate-related claims, including wildfires.
- Availability and cost of risk transfer options – i.e., Reinsurance for catastrophe or aggregate coverage.

Medium- and Long-Term Climate-Related Risks – 3+ years

- Exposure to catastrophic storm and weather events, occurring over multiple years.
- Regulatory changes or case precedent on the federal or states in which Alliance Insurance Group has business that impact policy language and create unintended coverage for climate-related risk.
- Significant increase in the frequency of severe, climate-related claims, including wildfires.
- Inadequate reinsurance or loss of a reinsurer.
- Inadequate IBNR reserves due to a new climate-related exposure.

B: As Alliance Insurance Group goes to market with different initiatives, geographic diversification is one of the factors taken into consideration. Alliance Insurance Group maintains a significant geographic spread of risk which mitigates the direct impact of a single weather-related event. Alliance Insurance Group's long-term relationships with its reinsurers and its brokers ensures that these reinsurance partners are comfortable with Alliance Insurance Group's book of business and understands the risks. The close relationship between Alliance Insurance Group and its independent agents provides Alliance Insurance Group insight into the insurance needs of its insureds with enough lead time to develop the appropriate products.

Management at Farmers Alliance does consider the impact of climate change on the investment portfolio; however, the decision to invest is not based solely on this factor. Primarily, the investment strategy is designed to ensure financial security for its mutual customers, as such investments are selected by using diversification and risk management. Overall, if management believes the investment will provide a stable, long-term return, the investment will be made. Therefore, Alliance Insurance Group has not altered its investment portfolio to specifically include investments that support the transition to a low carbon economy.

C: Alliance Insurance Group relies on property exposure modeling related to storm and weather exposures that it receives from its reinsurer business partners. Regarding this modeling, Alliance

Insurance Group has appropriately allocated additional IBNR to various lines of business for potential claims arising out of storm and weather-related occurrences. The primary consideration of climate-related scenarios applies to property exposures and the impacts of severe convective storms on those exposures. Various industry models are used to forecast the potential losses to determine rate adequacy and surplus at risk, which does not contemplate a 2-degree Celsius or lower scenario.

Strategy - closed-ended survey responses in addition to the narrative:

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N)[1]
- 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)
- Does the insurer make investments to support the transition to a low carbon economy? (Y/N)
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N) [1]

[1] Question derived from the original Climate Risk Disclosure Survey

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.

3. Climate-related risks are embedded into Alliance Insurance Group’s overall risk management process, though not specifically denoted as such. Alliance Insurance Group works with its reinsurers to monitor and manage the risks posed by climate change. Alliance Insurance Group’s reinsurers engage in significant catastrophe modeling, the results of which are shared with Alliance Insurance Group. Alliance Insurance Group takes this information into account when determining retentions, overall limits of liability, and exposure to capital on an annual basis. New, or climate-related risks, are identified from various sources including Alliance Insurance Group’s Agent’s Council, trade publications, and associations in which Alliance Insurance Group is a member. This information can be used when developing risk selection guidelines and determining pricing differentials for specific risks. For peril related to wildfire, which may have a climate-related component, Alliance Insurance Group utilizes a Wildfire Risk Assessment tool to determine individual exposures to this peril. A territorial analysis is performed when updating rates to assess areas that need more coverage by specific perils.

Alliance Insurance Group utilizes RMS and AIR (third party catastrophe modelers) modeling so employees can receive current information on potential catastrophe exposures. Typically, the focus of our catastrophe modeling is primarily on windstorm and hail exposure. We have recently added wildfire, winter storm, and hurricane exposures into our risk management activities. We consider the results of this modeling carefully in establishing our catastrophe reinsurance coverage. Another way we are managing our climate change risk is through a company disaster recovery plan. This plan is stored online and can be deployed in emergency situations. Farmers Alliance also has an agreed upon backup location.

Due to the nature of our business, climate change always poses a risk to our company. There is potential for an increase in losses, both in severity and frequency, and the ramifications are unknown. We can offset these risks by annually adjusting our coverages, rates, underwriting guidelines, and geographic dispersion of risk. The geographical areas most affected by climate change include the areas that have the greatest risk for natural catastrophes such as the central United States. We provide substantial coverage in this area and the threat of tornados and thunderstorms can be unpredictable.

A: See above statement regarding Alliance Insurance Group's overall process to identify, assess, and manage all risks within the company.

B: See above statement regarding Alliance Insurance Group's overall process to identify, assess, and manage all risks within the company.

C: The Company's processes for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management through its strategic plan and enterprise risk management practices. Climate-related risks are not addressed through a separate process as integration with other risks considered by the Company are necessary to assess corporate risks as a whole. Enterprise risk management is reviewed annually but implications of climate-related risks are considered on a much more frequent basis as weather/climate-related events (impacting claims operations) occur.

Risk Management – closed-ended survey responses in addition to the narrative:

- Does the insurer have a process for identifying climate-related risks? (Y/N)
  - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N)
- Does the insurer have a process for assessing climate-related risks? (Y/N)
  - If yes, does the process include an assessment of financial implications? (Y/N)
- Does the insurer have a process for managing climate-related risks? (Y/N)
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)[2]
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)[2]
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)[2]
- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N)
- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N)

[2] Question derived from the original Climate Risk Disclosure Survey

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.

4: As previously described, Alliance Insurance Group considers the primary climate-related risks to be exposures to our property lines of business which we provide insurance coverages. Alliance Insurance Group relies on our reinsurance partners to provide catastrophe modeling regarding climate-related risks for assessing our property exposures in our coverage territory. As previously indicated (under Risk Management section of our response), Alliance Insurance Group utilizes RMS and AIR modeling which provides current information on potential catastrophe exposures. The focus of our catastrophe modeling is primarily on windstorm and hail exposure. We have recently added wildfire exposure into our risk management activities. We consider the results of this modeling carefully in establishing our catastrophe reinsurance coverage. Another way we are managing our climate change risk is through a company disaster recovery plan. This plan is stored online and can be deployed in emergency situations. Farmers Alliance also has an agreed upon backup location.

A. Model results at the 1 in 100 years have particular focus; however, given recent widespread and severe catastrophe events that have impacted areas of our overage area, more remote levels of 1 in 1000 are also considered knowing extreme events can occur. Significant catastrophe events are overlayed on various high exposure areas of our territory to assess some of the most severe impacts as pricing of our products and levels of ceded reinsurance are considered. The Company also assesses risk to capital through models which stress test aggregations of catastrophic events.

B. Alliance Insurance Group does not measure or assess carbon emissions and greenhouse gases. Our primary climate-related physical risks are property insurance exposures which are assessed for potential losses and as described in the overview statement for this section.

C. The Company does not utilize specific targets to manage climate-related risks.

Metrics and Targets – closed-ended survey responses in addition to the narrative:

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