AGENCY INSURANCE COMPANY NAIC# 35173
CLIMATE RISK DISCLOSURE SURVEY
AUGUST 31, 2023

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.

Although AIC does not have a formal plan to assess, reduce, or mitigate its emissions in its operations or organizations, the Company does recognize the importance of the matter and has taken steps towards reducing emissions. AIC has not publicly stated its goals on climate-related risks and opportunities. Climate related disclosure is handled at the entity 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.

Climate change is evaluated as a component of the Company's Enterprise Risk Management (ERM) analysis. AIC's ERM process is managed by management's Risk Committee, with oversight from the Board of Directors and Audit Committee.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

Climate change is evaluated as part of the Company's Enterprise Risk Management (ERM) analysis. AIC's ERM process is managed by management's Risk Committee, with oversight from the Board of Directors and Audit Committee.

Governance – closed ended questions answered in addition to the narrative:

- Does the insurer have publicly stated goals on climate-related risks and opportunities?
  NO
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk?
  YES
- Does management have a role in assessing climate-related risks and opportunities?
  YES
- Does management have a role in managing climate-related risks and opportunities?
  YES

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.

The Risk Committee identifies and reviews risks that could have a material impact on the Company, including climate related matters. AIC takes a company-wide view of each risk and understands the potential impact on all aspects of operations.

AIC has not formally taken steps to engage key constituencies on the topic of climate change other than the initiatives previously described. In concert with our trade and industry partners, AIC supports lobbying and consumer education efforts regarding climate change and loss mitigation. In addition, the Company supports rate adequacy and risk-based pricing across regions, including coastal markets.

AIC has taken actions to reduce greenhouse gas emissions in the organization through the following. Include an environmentally responsible home office facility with energy saving appliances, motion sensor LED lighting, and energy efficient windows. Our business practices include minimizing and recycling as much waste as possible. We have developed technology and workflows that allow claims to be reviewed through photo submission rather than adjusters driving to damaged vehicles in many cases. We also partner with power and utility vendors to review energy saving alternatives. We continue to enhance energy efficiency in our information technology area by reducing our on premise servers and power needs by movement to a cloud-based environment. We offer a "green discount program" for policyholder document distribution which reduces paper used and carbon emissions from physical mail delivery. We have greatly enhanced our work from home environment reducing commuting carbon emissions and plan to continue that work arrangement for the majority of our employees.

A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term. In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:

• Define short, medium, and long-term, if different than 1-5 years as short term, 5-10 years as medium term, and 10-30 years as long term.

The Company has identified current and anticipated risks that climate change may pose on AIC. The Company is geographically located in the Mid-Atlantic which has historical low risk of catastrophic events relative to other areas of the United States. Tropical storms and the accompanying flooding from storm surge, tornados, and hailstorms present the most significant risk for this geographic area. However, the Company has identified some examples of potential risks as follows:

- ***Increasing frequency and severity of weather conditions could result in an increase in our own frequency and severity of claims. (Short Term)***
- ***Changing climate conditions could impact creditworthiness of issuers of securities in which we invest. (Medium to Long Term)***
- ***Potential emissions reporting obligations imposed by EPA regulations could impact the cost of future claims. (Medium Term)***
- ***Mandated assessments due to catastrophic events could impact financial operations. (Short Term)***

- ***Reinsurance companies could be strained due to changing climate conditions and the frequency of natural disasters. (Medium Term)***
- ***Climate change regulation may economically impact policyholders and increase their cost of doing business. This risk is most acute for AIC's commercial auto customers. (Medium 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.

AIC's Enterprise Risk Management Process identifies climate change related risks and assesses the degree that they could affect the business and financial implications. As a core part of our business, AIC continually monitors, assesses, and responds to emerging risks within the organization. Climate change is included in this ongoing analysis.

According to www.actuariesclimateindex.org climate is becoming more extreme in temperature, precipitation, wind and sea level and economic losses from extreme climate related events are increasing. When a potential risk is identified, the risk is actively monitored and evaluated as needed. Annual catastrophe modeling of loss estimates, historical loss estimates, loss trend projections, underwriting practices, and market experience are all considered as reinsurance and underwriting decisions are determined. Emerging issues, including climate conditions, are considered in modeling to help determine the need for pricing changes, coverage modifications, or new products. The product team identifies and develops product opportunities and expands services and offers discounts to help customers prepare for and respond to potential risks related to changing climate and "green" trends. Risk appetites are always evaluated to ensure that risks are tempered and within an acceptable range. Since AIC's insurance policies are annual or semi-annual, the Company is able to respond quickly to market changes or changing environmental conditions and has the flexibility to adjust our underwriting strategy and related policy terms and conditions as appropriate.

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

The Company is geographically located in the Mid-Atlantic which historically has historical low risk of catastrophic events. Tornados and hailstorms present the most significant risk for this geographic area.

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?
  YES
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk?
  YES
- Does the insurer make investments to support the transition to a low carbon economy?
  YES

- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations?
  YES

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.

As a mid-Atlantic insurer, the Company is most often exposed to the impact of tornado and hailstorms. Occasionally localized flooding is also an issue for AIC insureds, but often times policyholders are able to their drive vehicles away from flooded areas and reduce the impact of losses on the Company. In the event of a loss, claims are handled by our team of claims professionals who are trained to deliver high quality service with efficiency and compassion. All claims are adjusted by in-house employees, and over 99% of vehicle appraisals are completed by AIC employees rather than outsourced to a third-party vendor.

AIC offers several products and services with features that encourage policyholders to positively influence climate change. The Company's Green Program offers a discount for policyholders who choose to receive policy documents electronically rather than printed hard copies. In addition, discounts are offered for paid in full and ACH as a recurring payment method. Once again, saving on paper and positively impacting climate change.

The Company has considered the impact of climate change on its investment portfolio. However, the company has not altered its investment strategy in response to these considerations at this time. Potential climate risks are treated the same as all other potential risks and effects when it comes to investment analysis and decisions. The Company's investment guidelines limit exposure by state to 10% of portfolio assets. The Company is also well diversified regarding bond and corporate purchases across industries with no sector representing more than 16% of our current investments as of June 30, 2023. To the extent that the climate change risks affect any of those entities, our investment process is already performing the analysis that would determine whether that consideration would change the investment decision. Therefore, the investment strategy remains unchanged.

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.

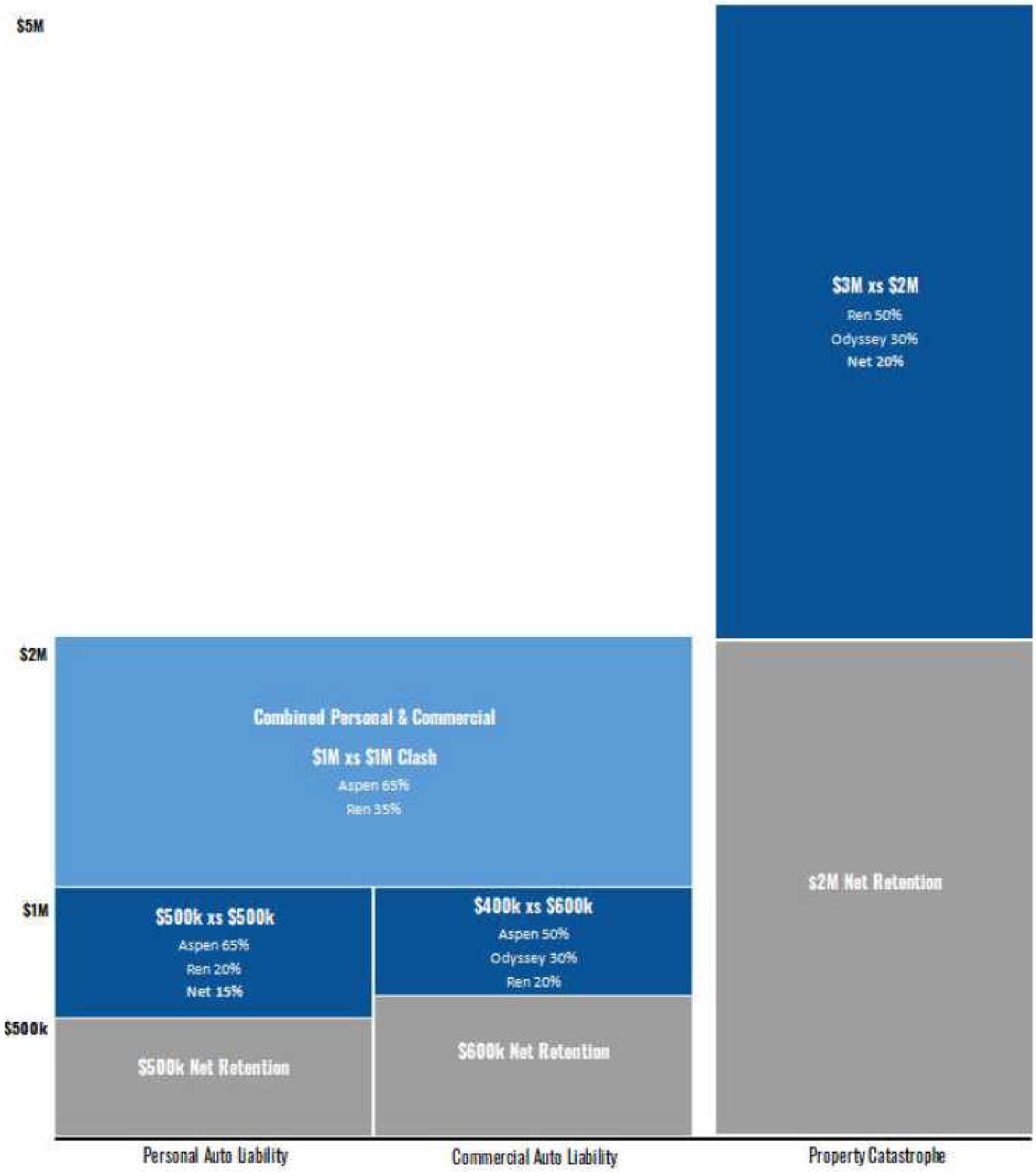
AIC takes a company-wide view of each risk and understands the potential impact on all aspects of operations. The ERM process is broken down into the following actions steps:

- ***Identify 5 Risk Categories (Strategic, Operational, Financial, Human Capital, Regulatory, and Compliance)***
- ***Risk Appetite Statements and Risk Surveys are completed and include Risk Statements, Risk Descriptions, Potential Triggers, Likelihoods, Potential Impacts, and Priority Scores***
- ***Risks are Quantified by Event Likelihood and Financial Severity***
- ***Findings are Evaluated and Mitigation Strategies defined***
- ***Stress Testing and Monitoring of Results***

ERM is a company-wide initiative that involves identification and assessment of risks that could affect our ability to fulfill our business objectives. A high degree of coordination between the management team's Risk Committee, Audit Committee, and Board of Directors reinforces our strong culture of risk management.

B. Describe the insurer's processes for managing climate-related risks.

- ***Short Policy Terms allow AIC the ability to respond quickly to changing conditions since polices renew Semi-Annually or Annually.***
- ***Geographic concentrations among our 2 of our 3 main states include coastal areas in addition to mountainous regions that are less exposed to flooding conditions.***
- ***Investment risk management diversification considers the impact of climate change on any given city, state or region by limiting exposure.***
- ***Reinsurance coverage allows AIC to manage our exposure to losses and provides additional capital protection. AIC's current reinsurance structure is shown below:***



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.

In order to properly analyze and assess risks, the Company uses internal modeling along with catastrophe modeling provided by its reinsurance broker in order to make underwriting and reinsurance decisions designed to manage AIC's exposure to catastrophic events. In addition, AIC monitors its capital adequacy using risk-based capital modeling which is reviewed on a quarterly basis by its board of directors. These analytical techniques support the company's long-term financial strategies and objectives and ensure capital adequacy in case of a natural disaster.

Risk Management – closed ended questions answered in addition to the narrative:

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

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.

AIC uses third party computer modeling processes to determine our climate-related risks and exposure to catastrophic events in order to make reinsurance decisions. We consider loss estimates, historical loss experience, loss trend projections, underwriting practices, geographic concentrations, and industry experience when modeling. The modeling attempts to estimate the likelihood that the estimated losses from a single event occurring in a particular year timeframe are adequately covered by reinsurance purchases. All catastrophe modeling is based on assumptions and judgments and may produce estimates that are materially different than actual results. Tornado and hail models may be less predictive due to the highly random geographic nature and size of the events. As a result, tornado and hail models may have greater difficulty accurately estimating losses.

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.

AIC'S most recent CAT modeling results are below:

Agency Insurance Company
Catastrophe Analytics Summary

Data as of: 12/31/2022

EP Summaries

Exhibit 1 - Occurrence EP Summary by Peril

RMS RiskLink v21 - Losses Net of Deductibles (Gross)

Probability of Exceedance	Return Time (Years)	Gross		Net Post Cat	
		Severe Convective Storm (000s)	Hurricane + Storm Surge (000s)	Severe Convective Storm (000s)	Hurricane + Storm Surge (000s)
0.01%	10,000	$9,469	$14,611	$7,069	$12,211
0.10%	1,000	$3,642	$5,952	$2,328	$3,552
0.20%	500	$3,022	$4,034	$2,204	$2,407
0.40%	250	$2,242	$2,618	$2,048	$2,124
0.50%	200	$2,033	$2,259	$2,007	$2,052
1.00%	100	$1,558	$1,364	$1,558	$1,364
2.00%	50	$1,135	$739	$1,135	$739
4.00%	25	$807	$253	$807	$253
Limit (000s)		$925,493	$925,493	$925,493	$925,493
Vehicle Count		95,119	95,119	95,119	95,119
Average Annual Loss		$386,290	$55,660	$382,250	$48,772

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.

Metrics and Targets – closed ended questions answered in addition to the narrative:

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