2023 Climate Risk Disclosure
Grange Insurance Association, NAIC #22101

1. Disclose the insurer's governance around climate-related risks and opportunities.

    a. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

    Our Board of Directors is responsible for the oversight of climate-related risks and opportunities. The group has regular conversations around the impact of climate change and environmental, social and governance (ESG) considerations on the investment portfolio and is concerned that coal divestment and a ban on future fossil fuel investments may not fulfill our fiduciary responsibilities required by Washington RCW 48.13. While we rely primarily on our investment manager to monitor climate-related risks and identify investment grade securities with good prospects, quarterly discussions are held to evaluate ESG considerations.

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

    As it relates to our investment activity, we are governed by the State of Washington insurance regulations and our board-determined Investment Policy Statement (IPS). WA RCW 48.13.041 dictates the determination of prudent investment policy and is used to guide our IPS. Grange Insurance Association's management does not see fossil fuel divestment as a responsible strategy given the current economy and regulations in place from both a federal and state level. We rely on our fixed income investment manager to monitor fossil fuels investments, along with all investments, and make us aware of any deterioration in credit worthiness. Our fixed income investment firm uses ESG considerations in evaluating investment opportunities. We additionally monitor climate-related risks as it impacts our business operations and specifically our underwriting. GIA has been adversely impacted by the climate conditions surrounding wildfire in our 2against this type of risk by creating underwriting restrictions to remove wildfire-prone risks from our book of business. Both our investment and underwriting climate-related risk mitigation efforts are taken into account with our robust enterprise risk management (ERM) framework.

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.

    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.

Climate change has drastically changed our exposure profile over the past decade. Prior to major wildfire events across the west, noting a specific larger impact in California, our largest loss driver was winter storms. We believe this risk to be the largest climate-driven loss at this time and have made changes to limit our exposure to wildfire based on the use of underwriting tools. This risk continues to present the largest climate-related risk over the short, medium, and long term. We have identified flood insurance as a potential climate-related growth opportunity.

b. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.

These stricter underwriting actions have impacted our homeowners and farm insurance books of business in the six states where we provide coverage. We note these risks have caused our book of business to limit catastrophic events that without appropriate management response to limit GIA risk, would have limited our ability to obtain sufficient reinsurance coverage.

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

As a smaller insurance carrier not subject to the Task Force on Climate-Related Financial Disclosures (TCFD) requirements, we have not specifically taken into consideration a 2 degree Celsius or lower scenario.

3. Disclose how the insurer identifies, assesses, and manages climate-related risks.

   a. Describe the insurers' processes for identifying and assessing climate-related risks.

   From an underwriting perspective, we use catastrophe modeling to identify and specify potential climate change-related risks. In addition to these models, we also leverage third-party data sources from our reinsurance partners at Swiss Re and Gallagher Re, vendors such as CoreLogic and ISO, and other insurance-specific organizations such as the Institute for Business and Home Safety and the Washington Surveying & Rating Bureau. We additionally use tools from Gallagher Re and CoreLogic that help us to identify the potential loss due to wildfire and hail, two loss events exacerbated by climate change. These tools have helped us make strategic decisions as it relates to managing our exposure against climate change loss, specifically in areas highly vulnerable to these types of losses. We provide guidance to our investment advisors that climate-related risk should be considered in investment purchases.

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

   Please see our response to 1b where we identify our 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.

   GIA is focused on wildfire exposure as the greatest potential risk climate changes poses to our business. We attempt to model the potential impact of wildfire and will try to price for this exposure in certain states. Our senior leadership team also uses wildfire modeling for underwriting eligibility using both CoreLogic and Gallagher Re's Spatial Key wildfire scoring mechanisms. Our risk mitigation actions has been focused largely on this as evidenced by our risk reduction actions where we limit our exposure by lowering our Probable Maximum Loss (PML) and increasing our catastrophe reinsurance coverage to cover the highest PML we face.

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

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

      We note our use of PML and Average Annual Loss (AAL) as metrics to assess climate-related risks. Our targets are defined as part of our ERM and underwriting processes.

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

      We note that we have not formally identified GIA's greenhouse gas emissions. Our output is minor as we own two connected buildings in Seattle and have a fleet consisting of 11 vehicles. We comply with all local and state required guidance on emissions, including all clean building standards. We have taken many steps to mitigate our environmental impact, including, but not limited to, the maximization of energy efficiency at our building and following manufacturer and Energy Star recommendations for technological uses.

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

      We have prescribed targets for our PML figures to manage against wildfire risk and review updated figures on a quarterly basis.