

CLIMATE RISK SURVEY DISCLOSURE

Filed With The

CALIFORNIA DEPARTMENT OF INSURANCE

By

Atain Specialty Insurance Company, NAIC# 17159

August 31, 2023

Name, title, address, and telephone number of individual to whom notices and correspondence concerning this Disclosure should be addressed:

Michael O. Martin

Treasurer and Chief Financial Officer

Atain Insurance Companies

30833 Northwestern Highway, Suite 220

Farmington Hills, Michigan 48334

(248) 538-4530

## **Introduction**

This Climate Risk Survey Disclosure (“Disclosure”) is filed on behalf of Atain Specialty Insurance Company (NAIC #17159) (“Company” and “Atain Specialty”) to provide information with respect to the Company’s response to the Reporting Year 2022 NAIC Climate Risk Survey. Atain Specialty reported \$101.1 million direct written premium for the year ended December 31, 2022, with that being the first year it exceeded \$100 million of direct written premium. As such, the Company has not previously prepared a report in accordance with the Task Force on Climate related Financial Disclosure (TCFD) - aligned NAIC Climate Risk Survey. This Disclosure is being submitted pursuant to the directive dated June 30, 2023 as issued by the Michigan Department of Financial and Insurance Service pursuant to MCL 500.438(3). The Company’s approach to the Disclosure was to provide a narrative for areas as applicable and to provide responses to the closed ended questions.

Atain Specialty believes that the risks and opportunities relating to climate change have the potential for significant impact on its growth potential, profitability, cash flow, balance sheet and policyholder surplus. The Company has historically addressed climate-related risks and opportunities in connection with its NAIC Corporate Governance Annual Disclosure and risk management information provided to rating agencies. The Company has sought to mitigate and respond to these risks and opportunities as appropriate given its size and the nature of its operations.

## **Company Background**

Atain Specialty is 100% privately-owned by AJK Holdings, LLC and is one of two insurance companies in an insurance company group. Its insurance subsidiary, Atain Insurance Company (NAIC #29033), has direct written premium well below the threshold for this Disclosure. Certain matters in this Disclosure may refer to activities and processes that are managed at a group level by affiliate H.W. Kaufman Group (“HWKG”). Atain Specialty writes general liability and commercial multi-peril risks including fire, allied lines, other liability, professional liability (non-medical and non-legal), ocean marine cargo, personal homeowners, and specialty personal property coverage through managing general agents in all fifty states plus the District of Columbia. Atain Specialty is licensed as an admitted carrier in three states (Michigan, Pennsylvania, and New York) and is approved as a non-admitted carrier in forty-seven states plus the District of Columbia. Atain Specialty also has property and casualty contracts as an assumed reinsurer with Lloyds of London, other London carriers and a domestic carrier. Burns & Wilcox, Ltd. (“Burns & Wilcox”), an affiliated managing general agent and subsidiary of HWKG, underwrites the majority of policies directly written or assumed by Atain Specialty. The Company’s business is approximately 70% casualty and 30% property.

## **Governance**

Describe the insurer’s governance around climate-related risks and opportunities.

- Overall oversight of Environmental, Social and Governance initiatives takes place by the Board of Directors and senior executives at the HWKG level. The approach to engagement on climate risk is to focus on the areas where climate risk poses the greatest material risk to HWKG’s overall operations. Atain Specialty’s President and CEO participates in these HWKG level discussions and then applies what is relevant to Atain Specialty as a property and casualty insurer.

- Atain Specialty's Board of Directors and committees responsible for governance oversee senior management to monitor business activities and controls, which includes, where appropriate, climate related matters. The President and CEO reports to the Board of Directors and committees responsible for governance matters related to climate risk affecting the Company's results of operations, financial position, and policyholder's surplus.

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

- Atain Specialty's President and CEO is responsible for the oversight of climate-related risks and opportunities at the management level. The business unit leaders overseeing underwriting, claims and finance work directly with the President and CEO to address climate related risks and opportunities in their respective roles.

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

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

## Strategy

Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.

Risks:

- Climate change represents a significant risk for the property and casualty insurance industry as a whole. With frequency and severity of weather-related events on the rise, the property and casualty industry has been impacted severely by related losses in recent years, and pricing based on past experience remains challenging as it is believed catastrophe models have not yet fully considered this impact.
- Atain Specialty has experienced significant wind and wildfire catastrophe losses in four of five years, resulting in a combined ratio greater than plan. Excess property and casualty industry capitalization has made it challenging for policy rates on property business to keep pace with the cost of reinsurance. The Company is charged with assessing the level at which writing property business is sustainable.
- Investment returns are important to the Company's financial results. Some investment sectors may be impacted by governmental and corporate decisions made in response to climate change. The extent to which investment portfolio managers consider the impact of policies that are intended to mitigate climate change is important, in addition to the impact of shifts in demand for products and services as a result of policies implemented to combat climate change.
- Atain Specialty's investment portfolio managers consider ESG, including climate-related risk in their due diligence and approach to investment services provided to their clients. This includes both risks and opportunities resulting from physical climate risk and the global transition to a lower carbon

economy. The investment portfolio managers apply what is appropriate based on each client's goals and policies related to investment allocation, diversification, yield and other factors.

#### Opportunities:

- The response to climate-related risk focuses on the impact to the Company's results of operations, financial position, and policyholder's surplus. This centers largely around mitigating the effect wind and wildfire catastrophe events have on the Company's property business.
- There is a potential for climate-related "winners" and "losers" as a transition is made to a lower carbon footprint economy. Atain Specialty foresees an opportunity to offer new products to these entities in the future.
- Developing climate scenario analysis to better determine the impact of climate risk on reserves for business already written and on pricing future business.
- Engagement with investment portfolio managers on climate change risks and opportunities, with the objective of mitigating risk to and enhancing returns on the Company's investment portfolio.

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? (N)
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (N)
- Does the insurer make investments to support the transition to a low carbon economy? (N)
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (N)

#### **Risk Management**

Describe the insurer's process for identifying and assessing climate-related risks.

- Identification of lines of business with significant exposure to climate-related risk is key to risk management.
- Atain Specialty utilizes external actuarial and other consultants to identify and assess climate-related risks. These consultants perform modeling and other analysis to assist with the determination of product pricing and reserve adequacy.
- At the company level Atain Specialty and at the group level HWKG make use of information provided by industry and trade organization aimed at the identification and assessment of climate-related risks.

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

- Does the insurer have a process for identifying climate-related risks? (Y)
  - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y)

- Does the insurer have a process for assessing climate-related risks? (Y)
  - If yes, does the process include an assessment of financial implications? (Y)
- Does the insurer have a process for managing climate-related risks? (Y)
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y)
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (N)
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (N)
- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y)
- Has the insurer utilized climate scenarios to analyze their investment risk? (N)

### **Metrics and Targets**

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

- Atain Specialty considers underwriting profit, loss ratio, combined ratio, and unallocated policyholder surplus as key financial metrics indicative of the impact of climate-related risk to the Company's results of operations, financial position, and policyholder's surplus.
- Atain Specialty considers total insured value, policy counts, number of claims reported for its property business exposed to wind and wildfire catastrophic events as key underwriting metrics indicative of the impact of climate-related risk on the Company's underwriting activities.
- Atain specialty establishes wind and wildfire catastrophe risk tolerance on per event and aggregate levels when assessing the impact of climate-related risk on the Company's underwriting results.

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

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

## Signature and Certification

Pursuant to the requirements and regulations promulgated by the Michigan Department of Insurance and Financial Services pursuant to MCL 500.438(3), Atain Specialty Insurance Company has caused this Disclosure to be duly signed on its behalf on August 31, 2023.

Atain Specialty Insurance Company



---

Michael O. Martin  
Senior Vice President  
Treasurer and Chief Financial Officer