NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2022

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American Steamship Owners Mutual Protection & Indemnity Association Inc.
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Governance – narrative

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.
   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.

   The American Steamship Owners Protection and Indemnity Association, Inc. (the "Association") is an assessable not-for-profit exclusively underwriting wet marine liability cover for vessel owners since 1917. The Association has produced a report on sustainability which is reviewed periodically and the most recent edition, from 2021, is currently in-process for an update. The 2021 Sustainability report is available at
   https://www.american-club.com/files/files/API_Sustainability_Report_2021.pdf

   The Association is a member of the International Group of P&I Associations (the "IG") www,igpandi.org which as a collective of 12 entities provide marine liability cover for 90% of the world's ocean-going vessel tonnage which shares specific liabilities exceeding $10 million. The IG serves several purposes, underpinning ocean-going trade, to serving as a forum for sharing information which benefits safety at sea and to be a single voice for vessel owner members to engage with governments, legislators and maritime regulators to help shape effective and balanced policies and regulations, thereby enhancing compliance capabilities.

The Association has a multi-tiered approach to managing climate related risks. The Association's Board of Directors are elected by the Association's Members at their annual meeting by majority vote. The composition of the Board includes a broad range of skills and experience in the shipping, insurance, financial and related industries. A majority of the Board includes those who are current members of the Association in their capacity as vessel owner/operators and a minority who are independent, non-members. Directors also serve on several committees, the Safety and Environmental Protection Committee (S&EP), the Claims and Risk Management ("C&RM") Committee, the Finance and Audit ("F&A") Committee and the Corporate Governance ("CG") Committee. The Board and each committee meet at least four times a year. Each committee and collectively, the Board, have a stake in managing climate-related financial risks of the Association. In addition to the By-Laws which are publicly available on the website at https://www.american-club.com/page/by-laws , the Association also maintains Corporate Governance Guidelines, publicly available on the website and periodically updated at https://www.american-club.com/files/files/corporate_governance_guidelines.pdf.

The Claims and Risk Management Committee's remit is to review, report on and or make recommendations to the Board in respect of the following matters, including as they relate to climate-related risks and opportunities:

- the general development of claims by way of statistical analysis on both closed and open years.
- the general development of claims by way of analysis relating to claims type and, inter alia, the geographical location thereof.
- the incidence of large or unusual claims as might be of specific interest to the Association's Board of Directors by reason of their political, regulatory or broader economic implications.
- claims as might be of interest to the Association's Board of Directors by reason of their novelty or implications for safety or loss prevention initiatives.
- the development of International Group Pool claims.
- recent Court decisions of general jurisprudential significance to Members of the Association and/or the maritime community in general.
- communication of relevant findings and/or suggestions to other departments of the Mangers such as the underwriting and safety and technical services group.

The Safety and Environmental Protection Committee's remit is to review, report on and or make recommendations to the Board in respect of the following matters, including as they relate to climate-related risks and opportunities:

- the establishment of principles and practice for the survey of vessels, and/or the audit of the practices of the operators of such vessels, entered, or intended for entry, in the Association.
- the substantive details of such surveys and the manner in which they are commissioned and compiled.
- the assessment of loss / claims trends and their implications as to taking preventative action in respect thereof.
- the review of regulatory developments as they affect vessel condition as well as ship and shoreside operational standards.

- initiatives in regard to all matters of a safety, environmental protection and loss prevention nature including the arrangement of seminars / conferences and the publication of relevant literature etc. addressing such issues.
- all other matters of a safety, environmental protection and loss prevention nature as may from time to time be considered appropriate by the Board of Directors for review and/or the making of recommendations by the Committee.

The Board also appoints a Manager, Shipowners Claims Bureau ("Managers") to run the day-to-day activities of the Association, including aspects of accounting, underwriting, claims handling, vessel surveys, loss prevention, compliance, information technology and security. The Board and Committees direct the broad strategy of the Association, and the Mangers implement and report on progress to the Board and Committees at their quarterly meetings.

The Managers have a direct role in the assessment and management of climate-related risks and opportunities, aligned with the instruction of the Board. This is reflected in the aspect of underwriting risks and liabilities of vessel owners with the context of Protection and Indemnity ("P&I") insurance. The Association's Rules include warranties of regulatory compliance and it's underwriting procedures include guidelines that dictate the parameters of the Association's risk appetite. These aspects of managements activities assist in the furtherance of raising ship standards, enhance insureds' regulatory compliance, as well as best practices and promote a lower risk for maritime accidents, which translate to safer and healthier oceans and shores.

The Managers, via their teams in global offices and representation of the Association at the IG, are informed of emerging climate-related issues globally. Inwardly, these issues are considered and discussed departmentally at weekly meetings which are then filtered to senior management with the Manager's Executive Committee. Furthermore, the Managers have departmental policies which identify, measure, monitor and manage both existing and potential risk exposures in all areas that can affect both the insurance performance as well as operations. Climate risk aspects are embedded in these processes, along with all existing and emerging risk. While the Association has not set specific goals or targets related to climate risks and opportunities, the Sustainability Report does track performance as far as these aspects are material, within the UN Global Compact SDG Action Manager. The United Nations Global Compact is the world's largest corporate sustainability initiative which introduced the SDG Action Manager to provide businesses with the ability to manage and improve sustainable performance.

Governance – closed ended questions answered 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 – narrative

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.*i
   • 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. 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 1-5years as short term, 5-10years as medium term, and 10-30years 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.
   C. 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 marine liability insurer for ocean going vessels, weather conditions have always been a risk assessment factor, and in reviewing claims data for the Association, there were no apparent trends of increased loss frequency and or severity which are directly attributable to climate change although we have seen historically claims arise during windstorm events. The Association continues to monitor claims experience to be attune to new or emerging trends to be ready to adapt and as a 107 year old entity, insuring ocean going vessels, the processes in place which inherently encompass climate-related factors, have proven crucial in the resiliency of the Association's strategy as illustrated further below.

Within the potential impacts of climate-related risks and opportunities, we see the following exposures:

<u>Transition Risks</u>
<u>Policy Risk</u> -marine insurance undertakings experience market contraction as policy induced transition to a low carbon economy leads to a fall in global shipping of oil and gas.

Policy opportunity – As insureds are required to meet regulatory goals, alternative fueled ships will require cover, creating new opportunities for marine liability insurance lines. This is not the first energy transition that the Association has had to adapt to in its 107 year history.

Physical Risk
Acute Risk -Climate change increases the frequency and concentration of extreme weather events and natural catastrophes, e.g. heat waves, droughts, landslides, floods, wildfires and storms, which could result in higher insurance claims and costs of reinsurance.
Acute Risk -Increased currency volatility of countries that are vulnerable to the rise of extreme weather events and natural disasters, increasing undertakings foreign exchange risk.
Acute Risk – Advances in technology and changes in regulation can outpace seafarer training which could increase navigational errors or mechanical breakdowns.

As illustrated in its Sustainability Report, the Association has initiatives on several fronts related to climate action and responsible consumption and production, which are borne from desire to reduce and mitigate its green house gas emissions. Operationally, these include disclosed actions for waste management and recycling as well as a travel policy which has been in place since 2017, requiring travel requests to be thoroughly reviewed on multiple levels to ensure travel is necessary prior to approval. From a business facing perspective, Association members must comply with all regulatory requirements as warranties on policies, which also include those related to emissions reduction.

The Association is also an active member of several organizations whose goals are to further efforts of the marine environmental protection, including North American Marine Environment Marine Protection Association, Hellenic Marine Environment Protection Association and chapters of the International Port of the Propeller Club, International Association of Independent Tanker Owners, Women's International Shipping & Trade Association, American Waterways Operators and various other NGO and industry organizations.

The North American Marine Environment Protection Association (NAMEPA) awarded the American Club and Shipowners Claims Bureau, Inc. its "Maritime Sustainability Passport" (MSP) Certificate and Seal. The MSP is awarded to companies, organizations and individuals who meet the requirements of the program which encompasses the three pillars of CSR/ESG: corporate governance, environment and the human element. The American Club is the first service provider to conclude the program.

As a member of the International Group of P&I Clubs, the Association participates in activities conducted by various committees, including the Sustainability Committee, and the Alternative Fuels Working Group. Through these Committees, the Association engages with co-global insurers of marine liability risks, to identify and evaluate impact on the industry, from a global stakeholder perspective, while concentrating on the specific obligatory factors relating to insurance of the common constituency. Aspects such as appropriate regulatory regimes, adaption of existing legal infrastructure, and realistic target compliance are part of these activities. The International Group enjoys consultative status at the IMO.

Additionally, the Association hosts and/or participates in seminars and conventions around the worldwide to engage stakeholders on climate-related issues and risks which assists in the identifying, monitoring and evaluating these risks to be in a position to anticipate situations that may arise in the future. Related to these activities, the Association also invests in, produces and maintains web-based learning modules for seafarers, and shore-based personnel of Associations constituents as well as a compendium of bunker fuel resource encompassing emission goals of the International Maritime Organization ("IMO") which is the specialized agency of the UN with responsibility for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships. The Association has also developed relationships with partners at the US federal level, including within the State, Treasury, Defense, Homeland Security Departments and in particular the Maritime Administration within the Department of Transportation.

The cover provided by the Association directly help to prevent marine and coastal degradation through the international initiatives to prevent illegal, unreported and unregulated fishing, as well as promoting best practices and compliance with regulation for navigation at sea and within port areas, including sensitive sea areas. The cover ensures not only fair compensation where damage is accidentally caused, but also provides restoration where needed. To underpin the some of these aspects of cover, the Association issues "Blue Cards" to various stakeholders which support a direct assurance of financial security and responsibility for those liabilities related to pollution and removal of a vessel having suffered a casualty became a wreck.

The Association through its various initiatives as described above is active in the support of development of new and emerging technologies. Included within research and development of new technologies is ensuring that seafarers and personnel are competent and equipped with skills and training to support new aspects of their activity. Additionally, the broad scope of the Association's Rules as well as the financial security provided by the Association's reinsurance arrangements provide a safety net for innovation and change in the marine industry through the energy transition in combat of climate change and its impacts.

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? (Y/N) *

• 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)*

Risk Management – narrative

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.

The alignment of climate-related risk and ordinary underwriting risk is intentional, although the nuanced nature of climate-related risk gives reason for special focus even as those may be more challenging to discern in the wet marine liability space.

The processes used to identify, assess and manage climate-related risks are described and/or embedded in links referenced in the Governance and Strategy pillars above. The impact on underwriting has always been part of the overall risk assessment in terms of appetite, rating, terms and warranties, given the nature of the line of business being marine liability for ocean going vessels. The Association has had to adapt to previous energy transitions historically, and is strategically placed in the market, both directly and collectively to ensure its interests are protected as the environment changes.

The frequency of Board meetings, management meetings, departmental and cross-departmental meetings as well as the policies and procedures in place address climate-related risk along with all other exiting and emerging risk, making the approach a dynamic process. Scenarios are used and evaluated for all relevant risks. To date we have not found any climate scenarios to be material. From a mitigation perspective on potential impacts, the measures being undertaken as described in the strategy section address this. Thus, the Association has not performed further scenario analysis on climate change risks. However, the Association continues to monitor these risks on a regular basis.

To mitigate potential climate-related risks identified the Association has taken the following risk mitigation actions:

Through retention reinsurance the Association manages risk appetite generally. Through its participation in the IG, the Association is protected through an extensive reinsurance program which is collectively purchased by the 12 participating associations, and paid for, again collectively, by 90% of the world's ocean-going tonnage which is covered by the 12 participating associations. Should trends emerge indicating that there are risks not within the Association's appetite, the Association may exclude coverage for certain events which may be climate-related, that could lead to losses for the Association.

With regard to qualitative risks, the Association adapts to climate change and adjusts operations, investments and coverage under the guidance and instruction of the Association's Board and from an investment perspective as the Board may be advised by their investment advisors.

Risk Management – closed ended questions answered 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)*
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)*
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)*
- 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)

Metrics and Targets – narrative

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.

While the Association has not set specific goals related to climate risks besides those connected with insureds' global regulatory compliance requirements, and while opportunities are identified through a dynamic process described above and further below, the Association's Sustainability Report does include metrics which track performance as far as these aspects are material, within the UN Global Compact SDG Action Manager. The latest assessment within this tool is currently underway and will be disclosed within the next Sustainability Report to be released in the last quarter of 2024. The United Nations Global Compact is the world's largest corporate sustainability initiative which introduced the SDG Action Manager to provide businesses with the ability to manage and improve sustainable performance.

The Association is attentive to changing laws and regulations as they relate to the potential for increased liabilities on its constituent members. The Association also recognizes the potential need for increased allowance of IBNR for such contingent liabilities.

Furthermore, the Association has now implemented a form of "tagging" on the claims system that identifies claims with a current climate change risk related causation. Manual searches of historical data have revealed no marine liability claims directly caused by climate change but the system will now automatically track this factor going forward.

The Association does not hold tangible assets aside from cash under investment, which is monitored by the Board and its Finance and Audit Committee with an allocation of roundly 70% fixed income and 30% equity. The fixed income segment of the portfolio is heavily weighted toward treasury and municipal bonds of high-rated security.

From an underwriting perspective, we seek out opportunities to engage with prospective clients who are investing in and developing technologies for application in the wet marine environment that are forwarding the transition to a low-carbon economy. These opportunities are identified, discussed and where relevant to risk appetite in accordance with the overall underwriting parameters, included in target monitoring of the Regional Action Plans which are produced annually and dynamically tracked and updated throughout the year by the regional business development and underwriting teams. Results of Action Plan targeting are formally assessed at an annual business development and underwriting summit where strategy is then realigned accordingly.

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/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)