Courtesy Insurance Company – NAIC - 26492

NAIC Climate Risk Disclosure Survey

Four narrative survey responses are due August 30, 2024 (Responses are below in **BLUE**).

Closed ended questions are **NOT REQUIRED BUT RECOMMENDED**

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 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.

1. The potential impact of climate-related risks has been raised to and considered by Courtesy Insurance Company's Risk Committee (a committee of its Board of Directors). It determined, based on the nature of its business, that climate risk is considered an insignificant risk to the company. Therefore, governance activities and/or specific plans, policies, or dedicated company resources to address climate-related risk are not warranted now. More details on the rationale supporting this decision are provided below in response to survey question 2. The company is privately owned and has made no publicly facing statements about climate-related risk.

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.

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.

2. Courtesy Insurance Company has determined that the potential impacts from climate-related risk to its business are low and immaterial. Courtesy Insurance Company operates nationally as a property and casualty insurance company, focusing on providing contractual liability insurance for automotive service contracts and total loss protection contracts. While the company recognizes that it may suffer short term impacts following environmental catastrophes in the form of loss fluctuations in affected geographic markets, such impacts are monitored in real time and, to date, the impact has been minimal given the company's national footprint. Additionally, from a long-term impact perspective, because the underlying contractual obligations that the company insures are generally short term (for the nature of the products, which is generally less than 10 years), Courtesy has the ability to adapt and adjust its premium pricing as required to account for the financial impact of climate-related risks, should they arise.

   The company recognizes and supports the current ongoing transition in the automotive industry toward electric vehicles and/or ride sharing as part of a move toward a lower carbon economy. This transition is expected to impact the company in the long term. However, this transition is expected to continue to take place over a number of years and the slow nature of the shift will continue to provide Courtesy ample time to manage and adjust to possible changes in underwriting risk, which is being managed through both adjustments to premium pricing and the creation of new products specifically focused on electric vehicles, where applicable.

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. As part of the company’s enterprise risk management processes, Courtesy Insurance Company regularly conducts risk assessments to determine those risks with the potential to most affect the company and, once identified, implements mitigation strategies to help manage those risks. It is not conducting specific risk assessments or implementing risk management processes to address potential climate change impacts. As explained above, the company has determined that, based on the nature of the business, such assessments and/or processes are not necessary at this time. The company believes that the potential impacts to it from climate-related risk are low. In recognition that even limited exposure to potential impacts merits consideration, the company engages in diligent risk monitoring and assessment pertaining to projected environmental calamities, as well as those ensuing from such incidents. This involves a comprehensive evaluation of potential perils associated with environmental hazards and their likelihood of occurrence. The company undertakes continuous surveillance and tracking of these risks to safeguard its interests and ensure accurate determination of potential liabilities. Furthermore, dedicated attention is given to monitoring and analyzing the impact and aftermath of environmental catastrophes in order to adjust existing risk models, policies, and measures appropriately.

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 explained above, Courtesy Insurance Company is a property and casualty insurance company focusing on contractual liability insurance for automotive service contracts and total loss protection contracts. For that reason, the metrics it uses to assess and manage its risk center on in its profitability over time as measured through its loss ratios/claim exposure. Short term impacts of climate-related risks (i.e., after a catastrophe occurs) are generally reflected in the short-term claim/loss fluctuations in the concentrated market where the climate-related catastrophe occurred. These claims/losses are routinely monitored as part of regular financial performance reviews and material impacts, if any, are addressed in the normal course of business.

Closed ended questions are **NOT REQUIRED BUT RECOMMENDED** (included below as indicated in the **RED** sections).

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) 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) N
- Does management have a role in assessing climate-related risks and opportunities? (Y/N) N
- Does management have a role in managing climate-related risks and opportunities? (Y/N) N

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) 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) Y
- Does the insurer make investments to support the transition to a low carbon economy? (Y/N) Y
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N) N

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

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

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