

NAIC CLIMATE RISK DISCLOSURE SURVEY

TCFD-ALIGNED QUESTIONS

UPDATED 2022

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.

Company Response: Root Inc.'s ("Root" or "the company") environmental policy can be found [here](https://ir.joinroot.com/static-files/7e759eeb-28f4-4177-a527-abbb7bc1785c) (<https://ir.joinroot.com/static-files/7e759eeb-28f4-4177-a527-abbb7bc1785c>).

- 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.

Company Response: Root's climate-related disclosure is handled at the group level. More specifically, the ESG report is written by the Communications team. All policies, disclosures, and content created related to ESG efforts are reviewed by the office of the General Counsel. The Communications team works with the Head of Internal Audit and Internal Controls and the Director of Financial Reporting who work closely with our partners at KPMG to ensure compliance and auditability.

- 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.

Company Response: The Board of Directors has assigned oversight of risks, policies, strategies and programs related to sustainability, corporate social responsibility, and governance to the Nominating and Governance Committee of the Board. Root's management team provides quarterly updates on environmental, social, and governance efforts to the Nominating and Governance Committee.

The Audit, Risk, and Finance committee, composed of and led by independent board directors, meets quarterly and addresses enterprise-level risks, including climate-related risks.

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

Company Response: ESG efforts are led by the Chief Communications Officer, who reports directly to the CEO. The VP of Product and Marketing ensures that our products align with our values, goals, and mission to improve customer lives. The SVP of Strategy and Reinsurance and the Senior Director of Corporate Actuarial report up through the CFO and are focused on assessing and managing climate-related risks and opportunities.

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. *

Company Response: Root places catastrophe reinsurance cover, providing protection against most natural catastrophe perils, including hurricanes, floods, hailstorms, tornadoes, earthquakes, and wildfires. This annual placement of catastrophe reinsurance is approved and communicated to key constituencies. The company's environmental policy can be found [here](https://ir.joinroot.com/static-files/7e759eeb-28f4-4177-a527-abbb7bc1785c) (<https://ir.joinroot.com/static-files/7e759eeb-28f4-4177-a527-abbb7bc1785c>).

- 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.

Company Response: As primarily a private passenger auto insurer, Root is less exposed to climate-related risks than insurers with substantial property portfolio exposure such as homeowners. However, climate-related risks are considered as part of Root's annual enterprise risk assessment whereby various leaders and employees across the organization share informed perspectives on top risks. The biggest weather-related losses for Root come from hail storms and hurricanes. Risks identified above are the same or similar over the short, medium, and 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.

Company Response:

- In 2024, we renewed our catastrophe reinsurance cover, providing protection against most natural catastrophe perils, including hurricanes, floods, hailstorms, tornadoes, earthquakes, and wildfires.
- A cross-functional working group, which includes representatives from the Reinsurance & Reserving, Pricing, Analytics, and Data Science teams, holds monthly meetings to discuss research on data distortions caused by weather and other seasonal effects.
- The Actuarial team monitors the claims from natural disasters, raising any concerns to the executive level. As part of Root's broader Enterprise Risk Management program, should a

climate-related risk rise to be one of the top three risks to the organization, risk tolerance levels would be implemented and frequently monitored against.

- When evaluating prices by state, Root adjusts historical Comprehensive coverage data to account for expected catastrophe risk. This adjustment considers industry data, competitor rate filings, and Root's internal claims data.
 - Building digital products is a strategic approach to supporting the transition to a low-carbon economy.
 - By enhancing our digital platforms, we reduce the need for physical resources and infrastructure. As a digital, product-based insurance company, we do not operate agent offices, fleet vehicles, or deploy monitoring hardware like many non-digital-based insurance companies. Our digital solutions enable us to streamline operations, minimize paper usage and mailings, and decrease the necessity for commuting, which collectively contribute to reduced greenhouse gas emissions.
 - Our advanced data analytics and telematics capabilities allow us to offer more efficient and tailored insurance products, encouraging safer, more environmentally friendly driving behaviors among our customers that reduce mileage, hard braking, and late hours.
 - By prioritizing digital innovation, we not only improve our service offerings but also align our business practices with the broader goal of fostering a sustainable, low-carbon future.
- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

Company Response: None

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

Company Response: As a primarily private passenger auto insurtech, Root has a unique position with limited exposure to climate-related risks compared to other types of insurers with significant property exposure. While we do not review a specific 2 degree Celsius scenario we model several thousand potential scenarios of natural perils impacting our insured portfolio. We ensure that we are protected from extreme scenarios through the purchase of reinsurance and spreading of risk. Our business model is designed to be resilient, enabling us to adapt and respond to the evolving landscape of climate change through data-driven insights. Our technology allows us to leverage data analytics to understand and mitigate potential risks associated with climate change. This enables us to adjust our underwriting and pricing models as needed, ensuring we remain competitive and sustainable.

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. *

Company Response: Climate-related risks are considered as part of Root's annual enterprise risk assessment whereby various leaders and employees across the organization share informed perspectives on top risks. The biggest weather-related losses for Root come from hail and hurricanes. These individual events, even if extreme, would only contribute less than one point to the annual loss ratio due to the catastrophe reinsurance treaty in place. These risks are modeled and accounted for in our Economic Capital Model but have a very small impact on the output of the model.

- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable. *

Company Response: None

- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered. *

Company Response: Root does not currently invest in the following industries: alcohol, tobacco, cannabis, opioid, adult entertainment, gaming/gambling/casinos, private prisons, firearms/ammunition/weapons, military weapons (conventional weapons, chemical/biological, landmines, cluster munitions), oil & gas exploration & extraction, oil & gas processing/storage/transportation, thermal coal extraction/processing/distribution, energy extraction from tar/oil sands or transportation there of, fossil fuel, coal-fired power generation, or palm oil.

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. *

Company Response:

- Climate change risks are not listed among Root's main risks. However, climate-related risks are considered as part of Root's annual enterprise risk assessment whereby various leaders and employees across the organization share informed perspectives on top risks.
- These individual events, even if extreme, would only contribute less than one point to the annual loss ratio due to the catastrophe reinsurance treaty in place.
- These risks are modeled and accounted for in our Economic Capital Model but have a very small impact on the output of the model.
- The Audit, Risk, and Finance committee meets quarterly to address enterprise-level risks, including climate-related risks.
- The Actuarial team tracks the claims from major storms and discusses, raising any concerns to the executive level.
- As part of Root's broader Enterprise Risk Management program, should a climate-related risk rise to be one of the top three risks to the organization, risk tolerance levels would be implemented and frequently monitored against.
- Should there be a breach of any tolerance limits, the associated executive sponsor would be alerted and a corrective action plan implemented to bring the risk level back within an acceptable level.
- A cross-functional working group, which includes representatives from the Reinsurance & Reserving, Pricing, Analytics, and Data Science teams, holds monthly meetings to discuss research on data distortions caused by weather and other seasonal effects.

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

Company Response:

- A cross-functional working group, which includes representatives from the Reinsurance & Reserving, Pricing, Analytics, and Data Science teams, holds monthly meetings to discuss research on data distortions caused by weather and other seasonal effects.
- The Actuarial team tracks the claims from major storms and discusses, raising any concerns to the executive level.
- The Audit, Risk, and Finance committee meets quarterly to address enterprise-level risks, including 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.

Company Response:

- A cross-functional working group, which includes representatives from the Reinsurance & Reserving, Pricing, Analytics, and Data Science teams, holds monthly meetings to discuss research on data distortions caused by weather and other seasonal effects.
- The Actuarial team tracks the claims from major storms and discusses, raising any concerns to the executive level.
- The Audit, Risk, and Finance committee meets quarterly to address enterprise-level risks, including climate-related risks.
- 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.

Company Response: The biggest weather-related losses for Root come from hail and hurricanes. These individual events, even if extreme, would only contribute less than one point to the annual loss ratio due to the catastrophe reinsurance treaty in place. These risks are modeled and accounted for in our Economic Capital Model but have a very small impact on the output of the model.

- 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.

Company Response: N/A

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.

Company Response: Given the volatility of CAT events and the changing risk environment, historical CAT data may not always be indicative of future events. Therefore, pricing strategies need to not only assess the likelihood and severity of past events but also forecast the likelihood and severity of future events. Furthermore, pricing should evaluate catastrophes at a granular level, recognizing that certain risks, such as those located in coastal areas and flood zones, are more susceptible to CAT events.

When evaluating prices by state, Root adjusts historical Comprehensive coverage data to account for expected CAT risk. This adjustment considers industry data, competitor rate filings, and Root's internal claims data. As a result of this analysis, Root sets prices based on a higher expectation of CAT events in hurricane-prone states than what would be suggested by internal data alone. The Actuarial team continues to monitor trends in CAT events to ensure that pricing accurately reflects the anticipated future occurrence of CAT events at both an overall and detailed level.

- 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.

Company Response: CAT risk perils: Earthquake, Hurricane, Severe Thunderstorm, Winter Storm and Inland Flood are modeled using standard industry softwares that output Average Annual Loss, entire Aggregate Exceedance Probability curve for Root's exposure. When evaluating risk exposures, Root primarily focuses on 1 in 100 years or 1 in 250 years scenario loss amount.

When evaluating prices by state, Root adjusts historical Comprehensive coverage data to account for expected CAT risk. This adjustment considers industry data, competitor rate filings, and Root's internal claims data. As a result of this analysis, Root sets prices based on a higher expectation of CAT events in hurricane-prone states than what would be suggested by internal data alone.

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

Company Response: Root does not formally track emissions. All are estimates from the ClimateNeutral calculator — 778 (scope 1), 2,073 (scope 2), 24,739 (scope 3), 27,590 (total).

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

Company Response: Root does not set formal targets.

* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.