NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
Kemper Response for 2023

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.

Response

Climate-related governance is managed at the enterprise level by Kemper Corporation ("Kemper") on behalf of its entities, including the insurance company subsidiaries. Kemper has a strong system of governance over climate-related issues, with engagement from both Kemper's Board of Directors ("Board") and senior leadership. This governance is proportionate to the nature, scale, and complexity of the operations across Kemper. It allows the Board, management committees, and senior leadership to integrate climate-related risks and opportunities into strategy, decision-making, and business processes.

Board Oversight

Kemper's Board has the responsibility to make decisions that are in the best interest of the company and its shareholders. The Board meets at least four times per year. Committee structures are created to facilitate and assist in executing the Board's responsibilities. The Board annually appoints at least three Board members to each committee. Generally, committees meet in conjunction with regular Board meetings. Climate-related risks may be considered by the Governance Committee, Risk Committee and Investment Committee. Specific responsibilities are described below:

A. Governance Committee
    a. Monitor the company's efforts to maintain a Corporate Responsibility ("CR") program that encompasses sustainable policies and practices intended to responsibly manage the effects of CR factors on the company's operations, including.
        i. Maintenance of responsible practices that help manage environmental risks and climate change in the company's business operations.
        ii. Inclusion of corporate initiatives and programs related to risk oversight, which includes climate-related risks.
B. Risk Committee
    a. Monitor and assess the company's risk management practices, including policies and processes related to compliance, operational, reputational, and strategic risks.
    b. Review the company's risk appetite, risk tolerances, and risk mitigation strategies, which may include climate-related risks, with management.

    c. Receive regular reports regarding emerging risks and other selected risk topics or issues, which may include climate-related risks, from the Enterprise Risk Management group.
C. Investment Committee
    a. Assist the Board in fulfilling its oversight responsibilities with respect to: (i) reviewing and approving policies and objectives for Kemper's investment activities ("Policies") established and maintained by Kemper's Chief Executive Officer ("CEO") and Chief Investment Officer ("CIO"), (ii) reviewing the performance of Kemper's investment portfolio on a consolidated basis and the investment portfolio's compliance with the Policies, and (iii) monitoring economic conditions and advising management as to options for responding to applicable economic risks. Unless the context otherwise requires, references herein to Kemper's "investment portfolio" or the "Portfolio" means the combined investment portfolios of Kemper and its subsidiaries and affiliates.

Management Oversight

Management groups, sub-committees, and senior leadership are also responsible for identifying and assessing climate-related risks. The responsibilities of these groups and sub-committees are described below.

A. Corporate Responsibility Steering Committee
    a. Composed of senior leadership including the Chief Risk Officer ("CRO"), CIO, Chief Administrative Officer (CAO) and EVP, Operations and Systems.
    b. Monitor CR related disclosures and regulations, which include climate-related risks. Current disclosures include the CR Report and Sustainability Accounting Standards Board ("SASB") Report. The CR Steering Committee meets quarterly.
    c. Evaluate climate risks and make decisions for risk escalation.
    d. Receive reports from the CR Program Office, which is responsible for identifying, escalating, supporting, and resolving CR related issues or risks including climate risks. The CR Program Office also provides continuous improvement of the CR program through the review of processes, metrics, auditing, and supporting documentation.
B. Enterprise Risk Management ("ERM")
    a. Led by the CRO and responsible for developing Kemper's ERM framework and facilitating its successful operation. The CRO has regular access to Kemper's senior leadership and the Board and has the authority to escalate issues should they arise including climate-related risks. The CRO is supported by a team with expertise in a variety of areas including risk analytics, compliance risk management, and model risk management.
C. Enterprise Risk Committee ("ERC")
    a. Led by the CEO and responsible for overseeing the ERM program, approving the design of Kemper's ERM framework, and monitoring its implementation and operation. The ERC reviews risk monitoring metrics, such as key risk indicators.
    b. Kemper's risk committee structure includes the following ERC sub-committees: the Enterprise Risk Subcommittee (ERSC), the Asset-Liability Management Committee (ALCO), the Compliance Committee (CC), the Technology Risk Committee (TRC) and the Model Risk Committee (MRC).
D. Investment Management Committee ("IMC")
    a. Led by the CIO, the IMC is responsible for matters including developing an investment strategy based on Kemper management's vision, evaluating proposed investment opportunities, making portfolio adjustments and reaffirming the resulting investment strategy and approach, and considering risk, legal and compliance implications related to investments. Climate-related risks and opportunities are considered when making investment decisions.
    b. The CIO reports to the Board's Investment Committee on investment portfolio performance and risks, which may include climate-related risks.

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 1-5 years as short term, 5-10 years as medium term, and 10-30 years 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.

Response

In 2023, Kemper completed a comprehensive climate risk and opportunity assessment, conducted in collaboration with external experts and guided by the framework provided by the Task Force on Climate-Related Financial Disclosures (TCFD). The Climate Risk Assessment was comprised of a Line of Business ("LOB") Risk Assessment and a Segment Risk Assessment. We assessed physical and transitional risks across all LOBs and segments and incorporated the results into our enterprise risk assessment. Time horizons represent the closest time in which a significant impact may be expected. Kemper aligned their Climate Risk Assessment time horizons with those utilized by ERM. This defined Short-Term as 0 - 18 months and Long-term as +18 months. Kemper refreshed this risk assessment in 2024 and included climate scenario analysis.

The Opportunity Assessment was executed at an enterprise level and identified various opportunities relevant to the Kemper business. These opportunities were assessed and, where applicable, were integrated into our overall climate initiatives as a part of our Environmental Approach.

Underwriting

Kemper identified transition and physical risks relevant to their underwriting business. The climate risk assessment referenced the TCFD defined risk types. The Transition Risks include Policy and Legal, Technology, Market, and Reputational risks, while the Physical Risks include Acute and Chronic risks. Climate-related risks were identified for three insurance risk types including Reserve, Underwriting, and Strategic risks. Each risk was assigned a risk score based on likelihood and impact definitions. Through the risk scoring process, the identified climate risk was prioritized and further assessed. The Kemper Climate Risk and Opportunity Assessment identified opportunities for TCFD-defined opportunity types including Resource Efficiency, Energy Source, Products and Services, Markets, and Resilience. The identified opportunities were then assessed and assigned an overall opportunity score, which was then ranked for prioritization.

Kemper supports the transition to a low carbon economy and in 2022 provided various homeowners discounts including the Energy State/EPA Certified Home discount, the Fortified Home discount, and the LEED Certified Home discount. Currently, no climate scenarios are taken into consideration within the underwriting process, but Kemper reviews its catastrophe model multiple times per year to help inform strategic decisions.

Investments

Kemper considers the impact of climate change factors as part of its strategic investment analysis and planning and understands the value and potential impact of CR factors to investment returns. CR factors are considered when relevant in researching, analyzing, and making investment decisions. Examples of Portfolio investments include U.S. small/medium-sized businesses, state and local capital improvement projects, opportunity zone investing and solar equity investing. Kemper has historically had limited exposure to the fossil fuel sector and is actively pursuing low carbon opportunities with regards to how we invest as well as how we operate.

Operational

Kemper currently has multiple initiatives to promote the transition to a low carbon economy including the utilization of high efficiency, low carbon dioxide, flex-fuel commercial fleet vehicles, and encouraging ride sharing when feasible. Kemper also makes the following investments to reduce its carbon footprint: replaced fluorescent light bulbs with LED lighting throughout multiple locations, motion sensors were added to rooms to shut off lights when not occupied, light sensors and timers were added to parking deck lights, energy inefficient windows were replaced, protective insulating film was installed on windows, and various HVAC upgrades were made to improve energy efficiency.

Kemper uses an internal system to monitor and notify the Corporate Security and Workplace Safety team of any weather events that may heighten operational risk. Kemper's mass notification system can inform internal stakeholders of an impending risk and provide continuous updates. Due to the anticipation that weather events will become more frequent and severe, Kemper is looking to institute more formal workplace plans and invest in a more advanced monitoring system with proper risk protocols.

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.

Response

Kemper identifies, assesses, manages, and discloses the risks to which the business is, or could be, exposed to, including climate-related risks. Kemper published their 2023 CR Report that covers climate-related governance and climate risk management efforts. Kemper also published the SASB Report, which outlines how environmental risks are incorporated into underwriting, and catastrophe models for physical risks such as hurricanes, tornados, wildfires, and wind-related events (see the 'Metrics and Targets' section response).

Climate risks are considered more broadly in Kemper's ERM process and are not considered as emerging risks. Kemper defines emerging risks as newly developing risks with the potential to impact enterprise value and are limited. Various risks, including climate-related risks, are communicated to the ERM team with expertise in a variety of areas including risk analytics, compliance risk management, and model risk management. Kemper has developed a Key Risk Indicator ("KRI") dashboard that includes key risks with established risk tolerances and early warning triggers. The goal is to ensure material issues are escalated when the organization's risk profile changes. Risks and opportunities can be prioritized, and the overall risk profile can be aggregated across the organization. If a KRI is surpassed, then Kemper can assess the risk and provide a response, which may include mitigation. Relevant information can be communicated to the Board's Risk Committee. Climate risks can impact various Kemper functions, and risks are identified differently depending on the business function.

Underwriting Risks

Physical climate risks can have a significant impact on Kemper's underwriting portfolio. Through the Climate Risk & Opportunity Assessment, risks and opportunities are assessed and can be prioritized. Management can use the assessment to monitor emerging climate risks and inform decision-making. Kemper uses an external catastrophe model to help manage their losses from weather events. Catastrophe modeling is analyzed on the Kemper Personal Insurance Auto and Home business as well as the Kemper Auto business. As more climate-related research becomes available, Kemper may include additional considerations and assumptions into their modeling process. Kemper has endeavored to manage its direct insurance exposures in certain regions that are prone to naturally occurring catastrophic events through a combination of geographic diversification, restrictions on the amount and location of new business production in such regions, modifications of and/or limitations to coverages and deductibles for certain perils in such regions and reinsurance.

Investment Risks

As an insurer, the investment portfolio is designed to improve returns and create a risk buffer to insulate Kemper from adverse impacts from future unexpected events. As such, Kemper takes a risk-adjusted approach to investing to ensure capital adequacy to support varying economic climates. Kemper understands the value and potential impact of CR factors on investment returns, including climate risks, and they are considered when relevant in researching, analyzing, and making investment decisions. In 2016, certain Kemper subsidiaries ceased making new investments in companies whose primary business is in thermal coal. Kemper has historically had limited exposure to the fossil fuel sector and is actively pursuing low carbon opportunities with regards to how we invest as well as how we operate. Led by the CIO, the IMC is responsible for matters including developing an investment strategy based on Kemper management's vision, evaluating proposed investment opportunities, making portfolio adjustments and reaffirming the resulting investment strategy and approach, and considering risk, legal, and compliance implications related to investments.

Operational Risks

Operational climate risks are identified through the Corporate Security and Workplace Safety group. The group is responsible for identifying, monitoring, and assessing operational climate risks such as hurricanes or tornadoes. Through their risk identification system, they can inform lines of business and notify internal stakeholders of impending weather events. The Corporate Security and Workplace Safety group frequently meets with senior leadership, including the CRO, to communicate any substantial impacts to people, processes, and operations. Kemper's CRO is a part of the ERC and frequently informs senior leadership and the Board of the risks that Kemper faces, including operational climate risks. The CRO is supported by a team with expertise in a variety of areas including risk analytics, compliance risk, management risk, and model risk.

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.

Response

Catastrophes and natural disasters are inherent risks of the property and casualty insurance business. The catastrophic events and natural disasters modeled include, without limitation, hurricanes, tornadoes, earthquakes, hailstorms, wildfires, high winds, and winter storms. Kemper utilizes multiple catastrophe models concerning those insured perils to manage the corresponding risk to financially sound levels. Some of the models used to determine estimates for possible loss scenarios incorporate physical factors which would be impacted by climate change, such as sea surface temperatures. Catastrophe model metrics such as Average Annual Loss are used within pricing assumptions. Risk tolerances and thresholds are set to monitor the progress of these metrics on an ongoing basis, and risk mitigation steps are defined, should a threshold be breached.

These catastrophe models are updated as data becomes more reliable, and reviews are completed periodically but no less than annually for the key weather-related perils of hurricanes and other severe storms. Additionally, the output of these models with respect to catastrophic events is directly used in reinsurance strategies. Also, similar output is utilized for physical office locations in consideration of property insurance needs for Kemper.