

TCFD Report

Task Force on Climate-Related Financial Disclosures

2023



CSAA Insurance Group,
a AAA Insurer



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From our Interim CEO

At CSAA Insurance Group, being a responsible corporate citizen is part of our DNA. We are setting goals to ensure we are good stewards on behalf of our constituencies – employees, customers, suppliers, communities and the environment – and working toward establishing a reliable framework for measurement of those goals.

We consider climate change a top risk and are working to integrate climate impacts into our planning across all aspects of our business. Given the role we play in helping policyholders who experience losses due to climate-related changes, we believe we have an individual and collective responsibility to reduce our climate-related risks.

To that end, we continue to implement TCFD (Task Force on Climate-Related Financial Disclosures) recommendations and reporting to help us better prepare for impacts to our business and policyholders. We believe it's important to be transparent and share our progress against our goals and reinforce our vision for a better future. We want to lead by example and respond to the climate crisis with a sense of urgency, recognizing that climate change and environmental impacts are already here, and we know they are going to continue.

Michael Zukerman

Interim President and Chief Executive Officer



CSAA Insurance Group,
a AAA Insurer

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CSAA IG

Introduction and History

Strategy and Culture Framework

Our Four Strategic Themes

Our Core Beliefs



Introduction and History

Based in Walnut Creek, California, CSAA Insurance Group (CSAA IG) employs approximately 3,800 individuals. CSAA IG offers reliable auto, home and other personal lines of insurance to AAA Members, in partnership with local AAA Clubs in 23 states and the District of Columbia, making it one of the nation's largest providers of personal lines of insurance.

Additionally, CSAA has created the Mobilitas brand of operating companies to pursue the commercial insurance market. CSAA IG is rated "A" (Stable) by A.M. Best. CSAA IG benefits from its affiliation with AAA, which enhances affinity for the company and customer loyalty, while providing a preferred risk.





Strategy and Culture Framework

CSAA IG is guided by its Enduring Purpose, Destination 2030, our four strategic themes and our Core Beliefs. CSAA IG primarily writes private passenger automobile and homeowners coverages. The Insurance Group writes in 23 states with its principal geographic region of operation in Northern California.

CSAA IG is also a participating insurer in the California Earthquake Authority (CEA) and the Federal Write Your Own Program for flood insurance. Through the Mobilitas group of companies, CSAA is expanding into the commercial insurance market, as mentioned above.



Our Enduring Purpose

We are committed to excellence in everything we do to help members prevent, prepare for and recover from life's uncertainties. We continuously challenge ourselves to find innovative and better ways to serve members and communities with care and compassion.

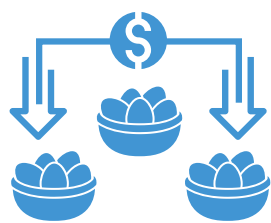


Destination 2030

We are at the forefront of significant disruption in our industry. As we navigate this disruption over the next 10 years, we will be the leader in meeting members' evolving needs and helping them manage emerging risks. We will transform our company to ensure our success—working faster, thinking more broadly, and aiming higher.



Our Four Strategic Themes



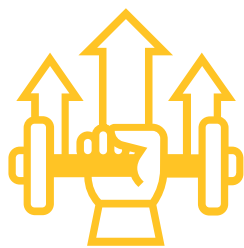
Diversify

our personal lines business



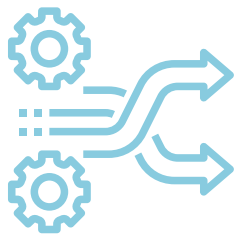
Accelerate

growth in commercial and specialized services



Strengthen and Extend

our systems



Transform

how we work



Our Core Beliefs

We believe in...



Unwavering integrity

We hold ourselves to the highest standards in every interaction we have with members, partners, and each other.



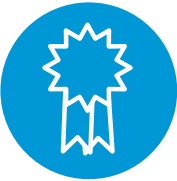
Personal and mutual accountability

We commit to delivering on the promises we make as individuals and as members of one team, to drive exceptional personal and shared outcomes.



The power of inclusion

We embrace our unique identities, experiences, and points of view to advance our company and reflect our communities and members.



A passion for service excellence

We deliver unparalleled experiences, built on a legacy of caring, that exceed the emerging needs of members, communities, and one another.



Thinking big and moving fast

We explore bold ideas and execute decisively, celebrating successes and adapting from failures, to accelerate toward our vision of the future.



Investing in ourselves

We continuously learn and grow, with an eye to what's needed in the future, to address ever-changing member needs.



Governance

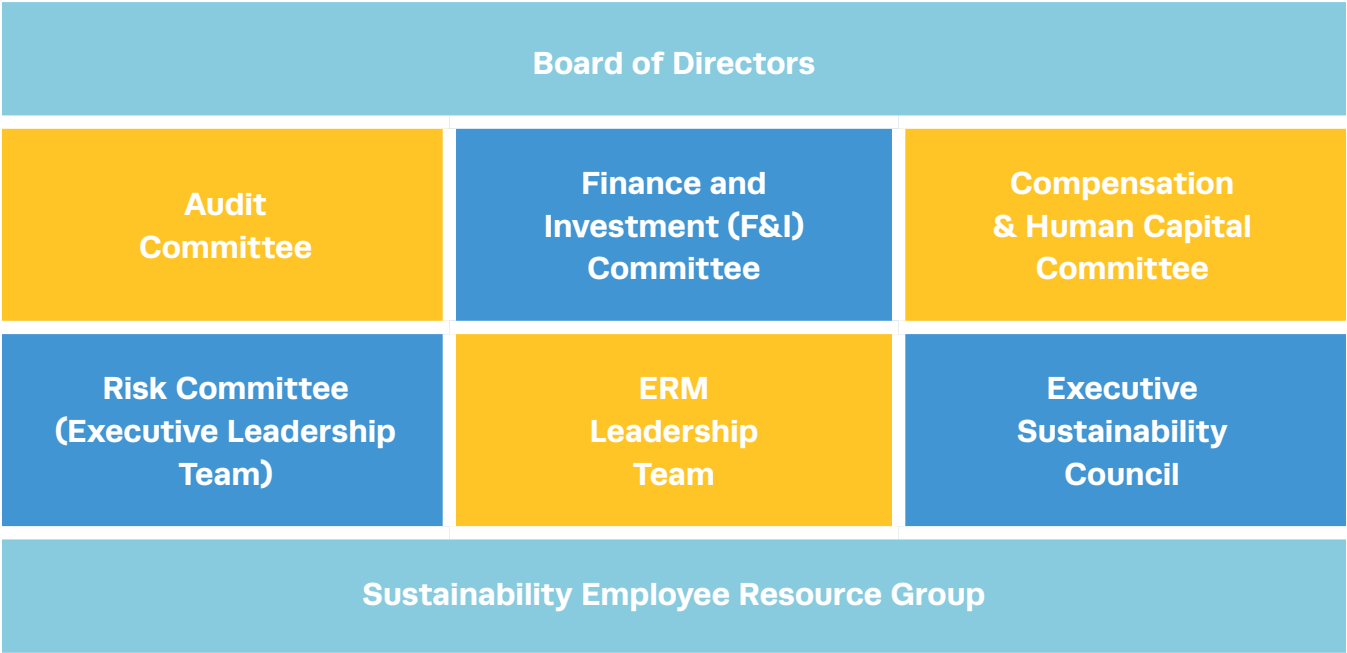
Organizational Structure



Organizational Structure

CSAA IG has a well-established, formalized center-led enterprise risk management (ERM) process with strong capabilities that are very well equipped to address our risk profile, including those associated with climate change. CSAA IG has outlined ERM roles and responsibilities for

management, the ERM core team, ERM Leadership Team (ERM LT), the Risk Committee (ELT) and the Board to discuss the top organizational risks, risk status, mitigation efforts, key risk and performance indicators and new and emerging risks.





CSAA Insurance Group,
a AAA Insurer

TCFD Report 2023

Strategy

Physical Risks

Scenario Analysis



Physical Risks

Confidence in physical risks from climate change is highest as it relates to temperature increase. The direction, magnitude and location of other

hazards due to shifting weather patterns are much less clear or predictable.

Driver	Peril	Time Horizon	
Increasing mean temperature	Sea level rise	Slow, steady increase over the coming decades.	High Confidence
Increasing extreme temperatures	Heatwaves, drought, wildfire	Currently observed and increasing in coming decades.	
Increasing air moisture capacity	Extreme rainfall, flash floods, river floods	Currently observed in some areas and increasing in coming decades.	
----->			Confidence Barrier
Changing weather patterns	Hurricane	Severe impact expected by end of century.	Low Confidence
Increased convection	Tornado, wind, hail	Severe impact expected by end of century.	

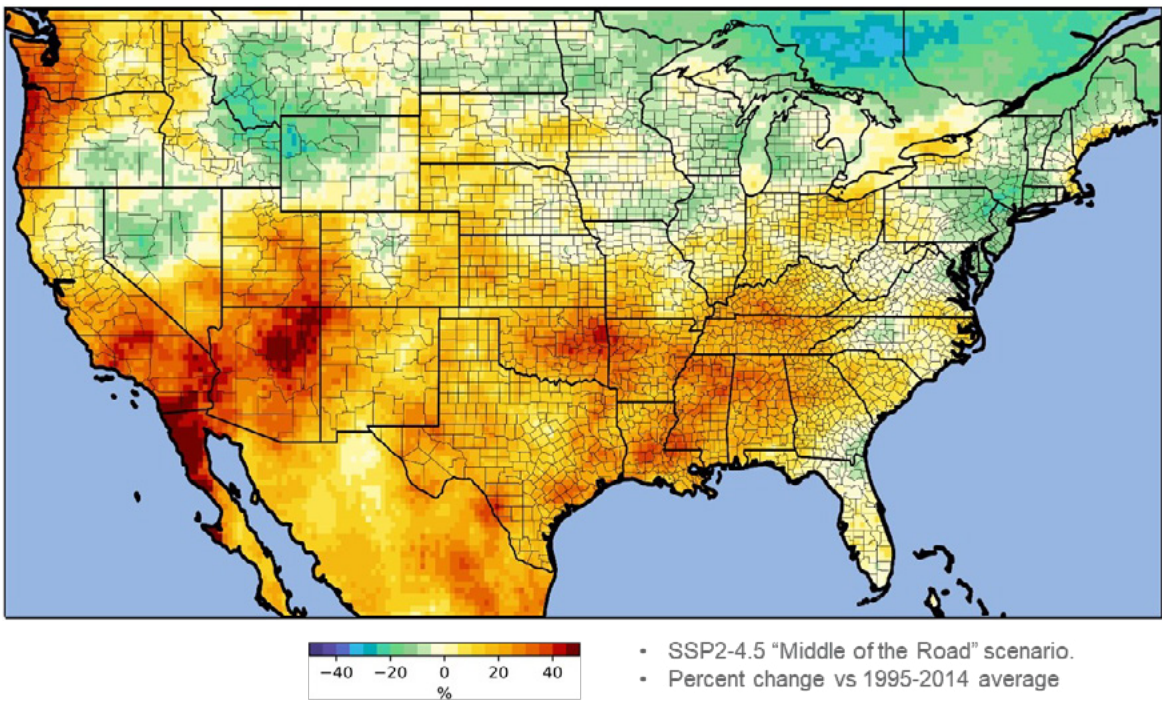


Drought

Increased heat and drought have already been observed in the Western United States and will continue to worsen.

Drought and heat will contribute to increased wildfire risk. Water scarcity could cause population migration, which will impact our employees, members and policyholders.

Drought Frequency Increase – 2035

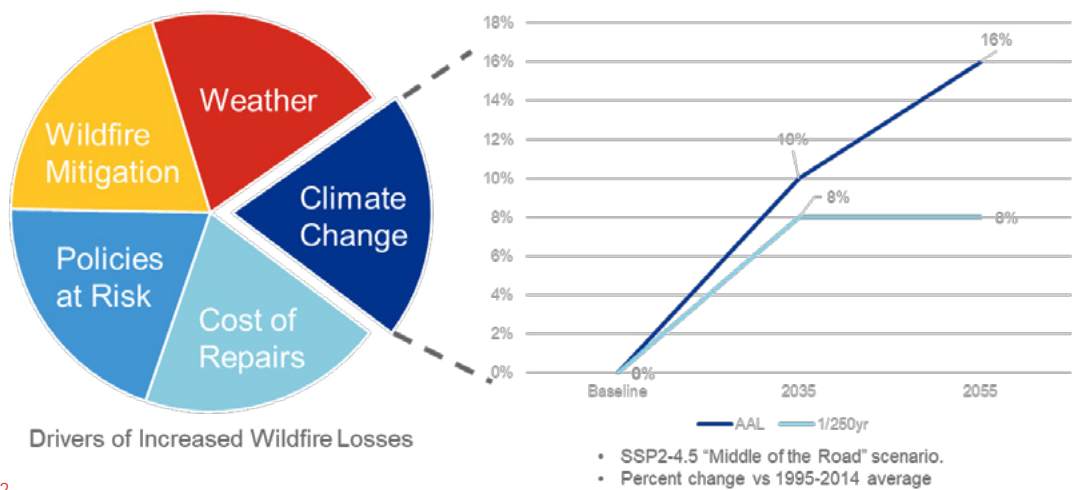


Source: Aon 2022

Wildfire

Wildfire risk is significant due to our concentration in Northern California as well as other states exposed to this risk. Many factors contribute to increased wildfire losses, including climate change.

Climate Change Increase to Wildfire Losses

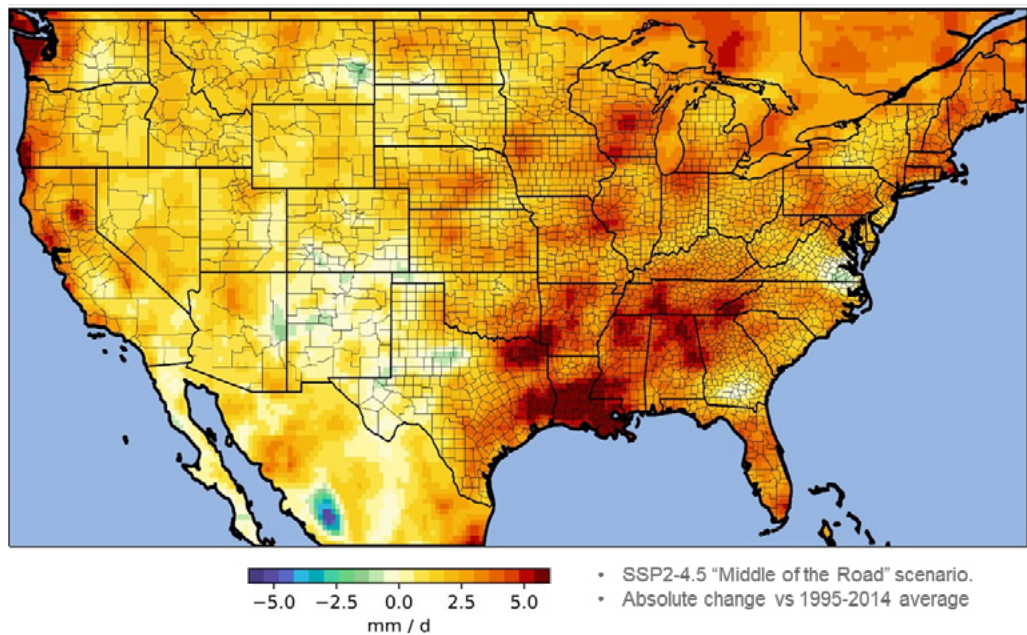


Source: Aon 2022

Inland Flooding

Hotter air holds more water, so when it does rain, those events will be more intense. Warmer temperatures mean more precipitation will fall as rain versus snow.

Extreme Rainfall Increase – 2035



Source: Aon 2022



Current mitigation efforts for material risks

Driver	Peril	Current CSAA IG mitigation efforts
Increasing extreme temperatures	Drought and wildfire	Mature wildfire risk evaluation and mitigation program: CAT models, underwriting, pricing, homeowner risk reduction incentives, forest management efforts.
Increasing air moisture capacity	Flooding	Flood damage exclusions minimize property risk.
Impacts to broader economy	Investment portfolio returns	Initial evaluation shows very low risk . Will continue to re-evaluate as the industry matures, and new tools and techniques become available.

Drought and wildfire driven by increasing extreme temperatures

Due to our concentration in Northern California and other exposed states with a history of wildfire, CSAA IG has been highly focused on wildfire risk mitigation for decades. The series of deadly and destructive fires in 2017 and 2018 manifested the increasing danger from this peril and exposed weaknesses in our wildfire strategy. Since then we have made significant progress in maturing that strategy, from improved wildfire catastrophe modeling and more granular pricing and underwriting to a series of programs to increase homeowner mitigations in at-risk communities. Most recently, to address some

of the root causes of wildfire, we have partnered with Blue Forest as an anchor investor in the California Wildfire Innovation Fund I. This fund targets investments in emerging market opportunities related to forest restoration. Particular emphasis is placed on industries and projects that create value for non-merchantable timber and woody debris (biomass)—an under-utilized byproduct of forest restoration activities—and unlock carbon offset revenue through long-term carbon storage and sequestration outcomes.



Floods driven by increasing air moisture capacity

As the average temperature increases, two factors will result in increased risk of severe flooding. First, more water will be absorbed in the air as vapor. When conditions are right for rain, more water will fall, leading to increased rainstorm intensity and inland flooding. Second, in mountainous areas some precipitation falls as snow, where it is “stored” to slowly melt

throughout the year. Warmer temperatures mean some of this snow will instead fall as rain, running off into waterways much more quickly, contributing to increased flooding. Our potential exposure to this peril is largely mitigated by the exclusion of most flood damage from our property policies.

Economic impacts of the low-carbon transition

The transition away from the current carbon-intensive economy will disrupt the status quo, with some industries more highly impacted than others. Being a service company, CSAA IG’s carbon footprint is relatively small so the carbon-reduction efforts will have a manageable impact. But, through our investment portfolio, we have

exposure to a much wider range of industries and those impacts could be more significant. After initial evaluation, CSAA IG’s portfolio has low exposure to the asset classes that are more negatively affected, and the estimated impact on our expected returns is not material, only 2–15 bps per annum.



Potential future mitigation efforts for material risks

Driver	Peril	Future Actions
Increasing mean temperature	Sea level rise	Evaluate coastal risk and potential underwriting.
Increasing extreme temperatures	Heatwaves, drought, wildfire	Incorporating climate models into existing wildfire models.
Increasing air moisture capacity	Extreme rainfall, flash floods, river floods	Auto flood exposure should be evaluated, especially in California and the Mid-Atlantic states.
Impacts to broader economy	Investment portfolio returns	Climate-informed investment strategy vs. point-in-time, backward-looking evaluations.
Impacts to population	Population migration	Evaluate the effect of population migration on our marketing.

Sea level rise driven by long-term average temperature increases

Sea level rise, driven by ice melt and thermal expansion, is accelerating as global temperature increases. At current levels, the most significant impacts to the CSAA IG footprint are increased storm surge in the Northeastern states and flooding from “King Tides” in Northern California. Sea levels are predicted to continue to rise

given current carbon concentrations, increasing these risks over time. Our current coastal underwriting guidelines are sufficient to mitigate the near-term risk, but we will need to continue to reevaluate as sea level rise progresses.



Drought and wildfire driven by increasing extreme temperatures

As climate change models have evolved, increasing the certainty of outcomes and the granularity of expected impacts, the industry has started incorporating them into its catastrophe	modeling. We are currently evaluating the available tools and will include them in our wildfire and other catastrophe planning as we develop confidence in their outputs.
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Flood driven by increasing air moisture capacity

While our property book is mostly protected from the direct losses of a flood, our auto policies do cover this peril. Modeling the	expected losses to reflect the increasing risk is currently being evaluated.
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Economic impacts of the low-carbon transition

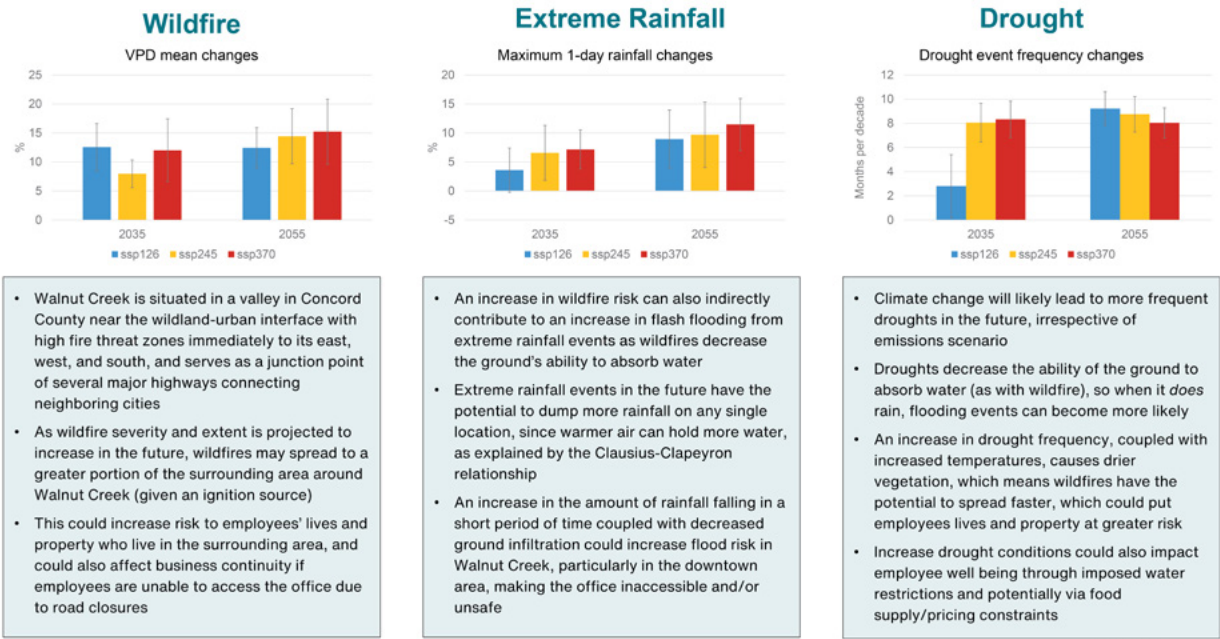
As the tools available to evaluate the climate change impacts to our portfolio evolve, we will continue to evaluate the feasibility and value	of incorporating a forward-looking climate and sustainability-informed investment strategy.
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Population migration due to local climate impacts

As local climates shift, certain regions may become more, or less, desirable places to live. Whether due to water availability, increased cost of cooling or transition impacts to local industry, among other things, these changes could result in hardships to employees, members and policyholders and create population migration.	Adding human response to the already complex climate change predictions makes this effect very difficult to predict, but the impacts could be significant to our business. One area where we've done an initial assessment is how the most relevant pieces of climate change might impact employees near our largest corporate locations.
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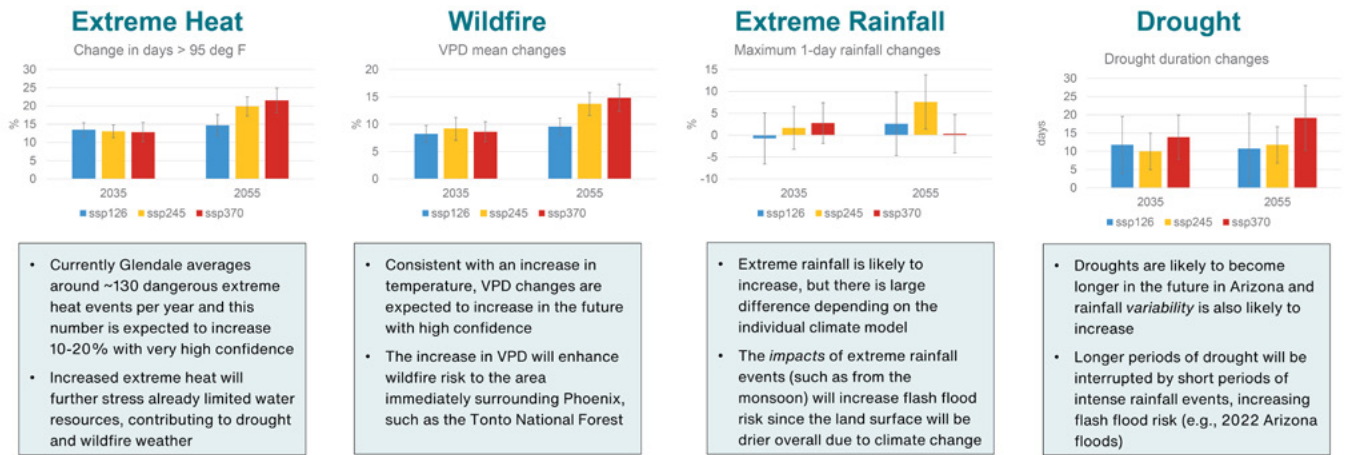


Walnut Creek, CA



Source: Aon 2022

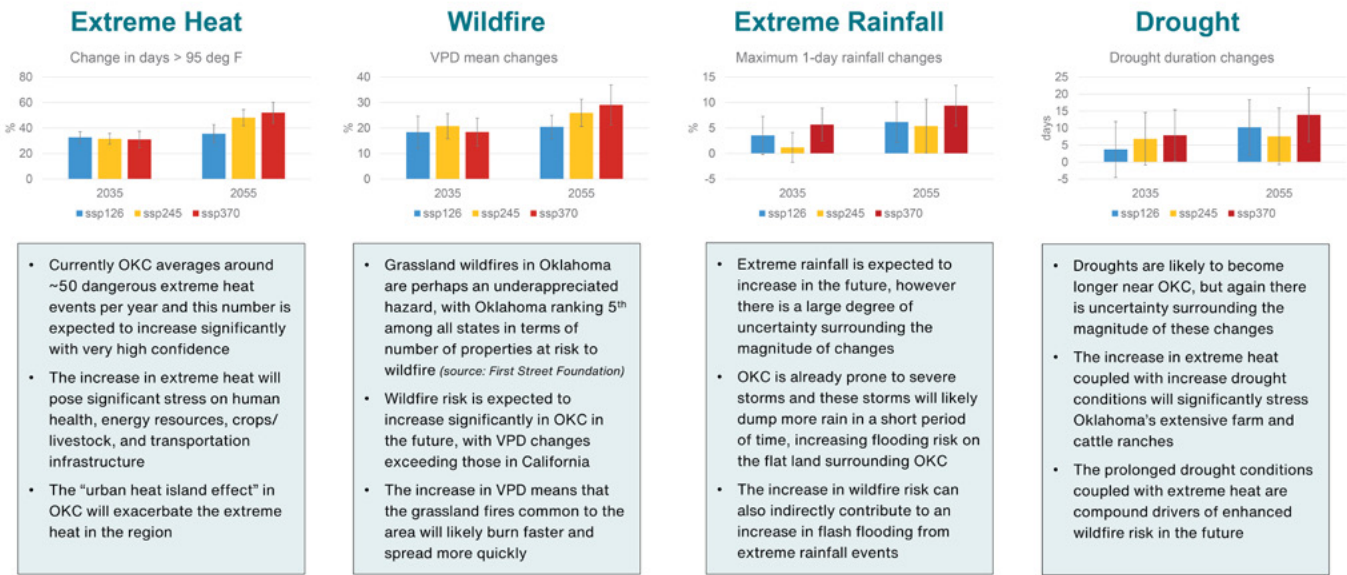
Glendale, AZ



Source: Aon 2022



Oklahoma City, OK



Source: Aon 2022



Opportunities

Opportunity	Benefits
Sustainability reputation	Highlighting CSAA IG’s climate and sustainability actions to members and current and potential employees, CSAA IG could become a sustainability destination.
Electric Vehicle	Electric vehicle specific product, marketing, and repair network attracts a larger share of a growing market segment.
Home solar/ charging ecosystem	Product and marketing targeting solar panels, backup batteries, and EV charging ecosystem.
Forest Management	Parametric insurance, crop insurance and alternative energy production.

Reputation as a sustainability leader

We are living in a time of climate uncertainty. Its impacts are affecting our employees, customers and the communities we serve. It is embedded in our purpose and mission to help members

prevent, prepare for and recover from life’s uncertainties. CSAA IG wants to lead by example and respond to the climate crisis with a sense of urgency because:

1. Climate change is an existential threat to our planet. We believe that the actions we all take now will affect the severity of the impacts of climate change, and collectively we can make a difference.
2. We already see that the increasing frequency and intensity of severe weather requires communities and individuals to build resilience through new building standards, technology, products and insurance. We want to influence this work and help people and communities be safer and more resilient. For that reason, we not only work to reduce our impact on the planet, but we actively seek innovative opportunities to demonstrate our commitment to the communities we serve.
3. Being a leader in reducing our environmental footprint is vital to protecting and enhancing our reputation, which is key to attracting and retaining customers, employees, vendors and other stakeholders who enable our success.



An important part of CSAA IG's climate journey is accountability and transparency. Although not a public company, we have decided to submit our information to CDP to hold ourselves accountable to our ambitious climate goals and targets. In addition, we have been reporting our progress toward these goals in our annual ESG reports that began in 2020. Reducing our carbon

footprint is in line with our core beliefs, personal and mutual accountability and unwavering integrity. It supports our purpose to help AAA members prevent, prepare for and recover from life's uncertainties, which includes climate change. We will continue to strive to be leaders in this space and be transparent on our status toward our goals.

Electric Vehicles, home electricity generation and storage, and the charging ecosystem

The increasing adoption of electric vehicles and home solar electricity generation and storage is creating a home-based electrical ecosystem. We

are exploring opportunities to better serve this market as it matures.

Forest Management

CSAA Insurance Group has joined a small group of private financiers to invest in a new Forest Resilience Bond that funds the upfront costs of forest restoration, while earning investors returns from the multiple agencies that benefit from the mitigation work.

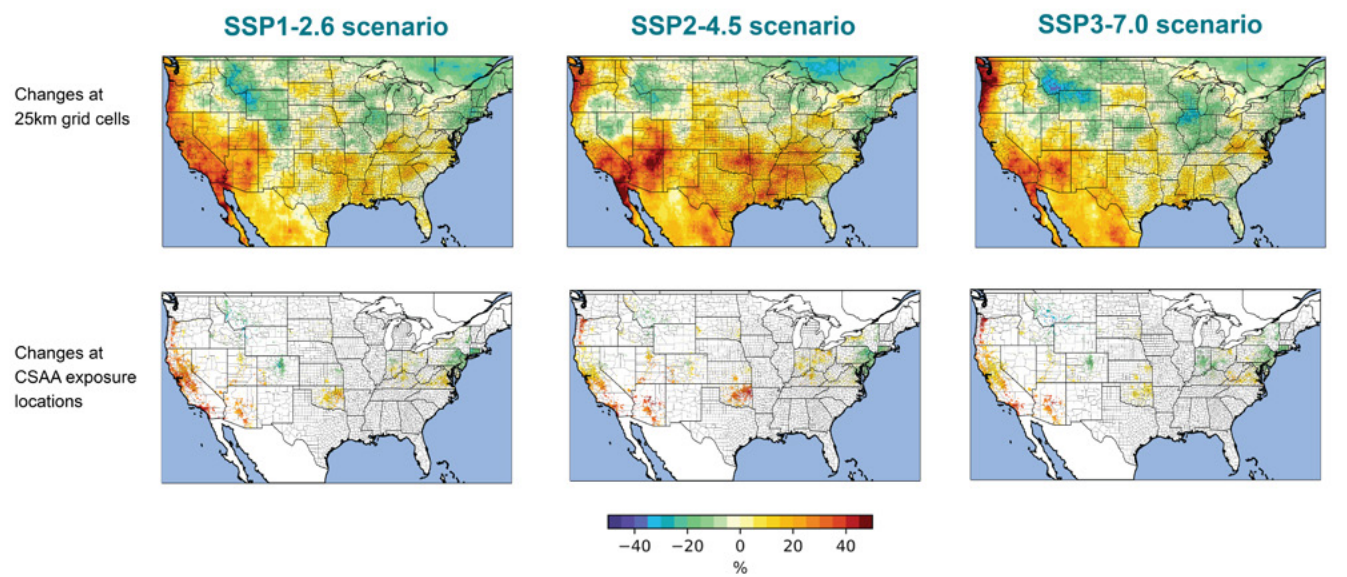
Developed by Blue Forest Conservation and the World Resources Institute, the pilot project raised \$4 million in private capital to finance forest management in 15,000 acres of

the North Yuba River area of Tahoe National Forest. The National Forest Foundation will lead the forest management work on the ground: managing invasive plants, cutting down small trees, clearing out shrubs, and burning off ground cover that can fuel wildland fires, for example. Healthier, thinner forests reduce the risk of severe fires, improve watershed health, and protect water resources.



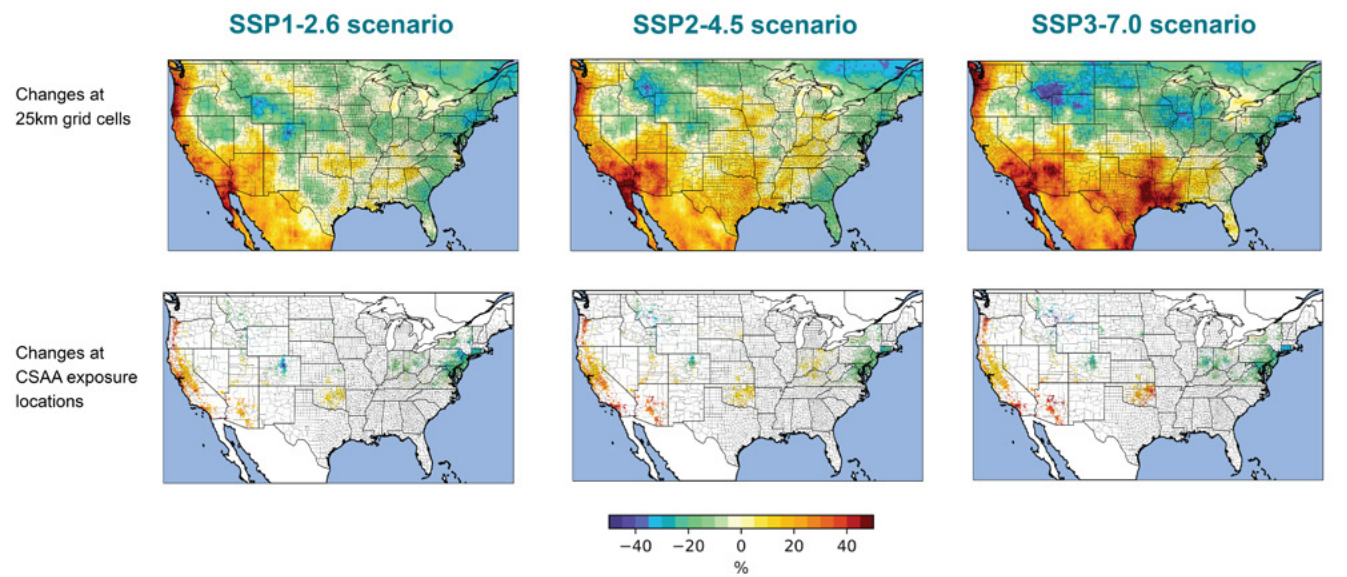
Scenario Analysis

Change in Frequency of Drought Events Around Year 2035*



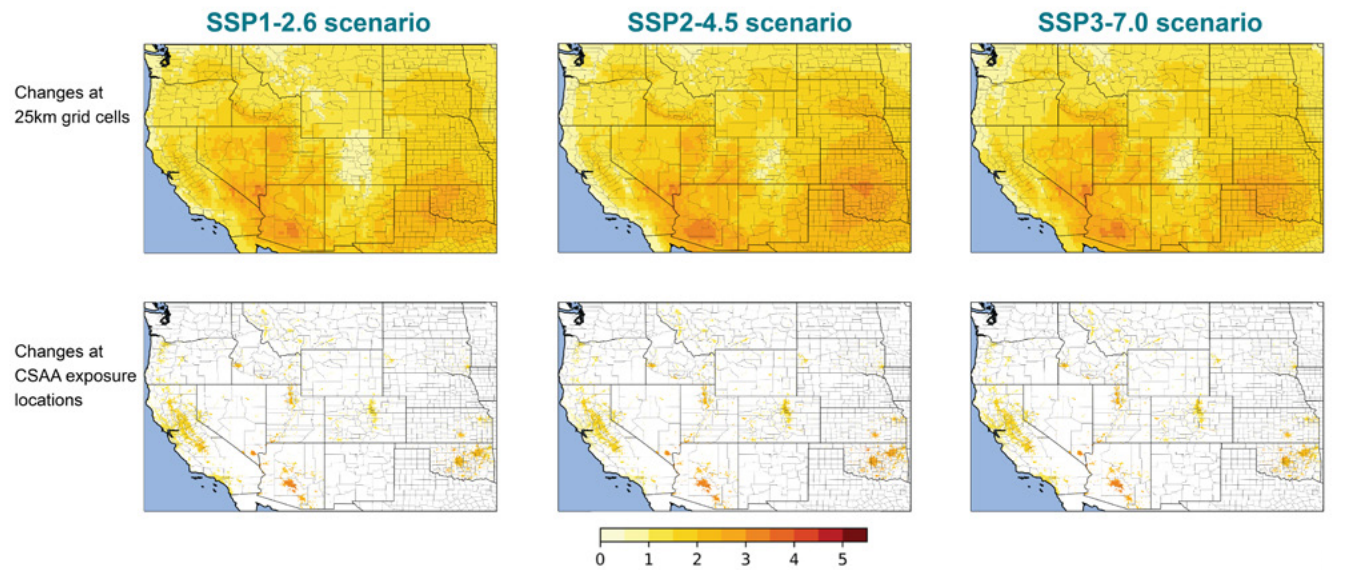
Source: Aon 2022 *Changes around year 2035 defined as 2025–2045 average minus 1995–2014 historical average

Change in Frequency of Drought Events Around Year 2055*



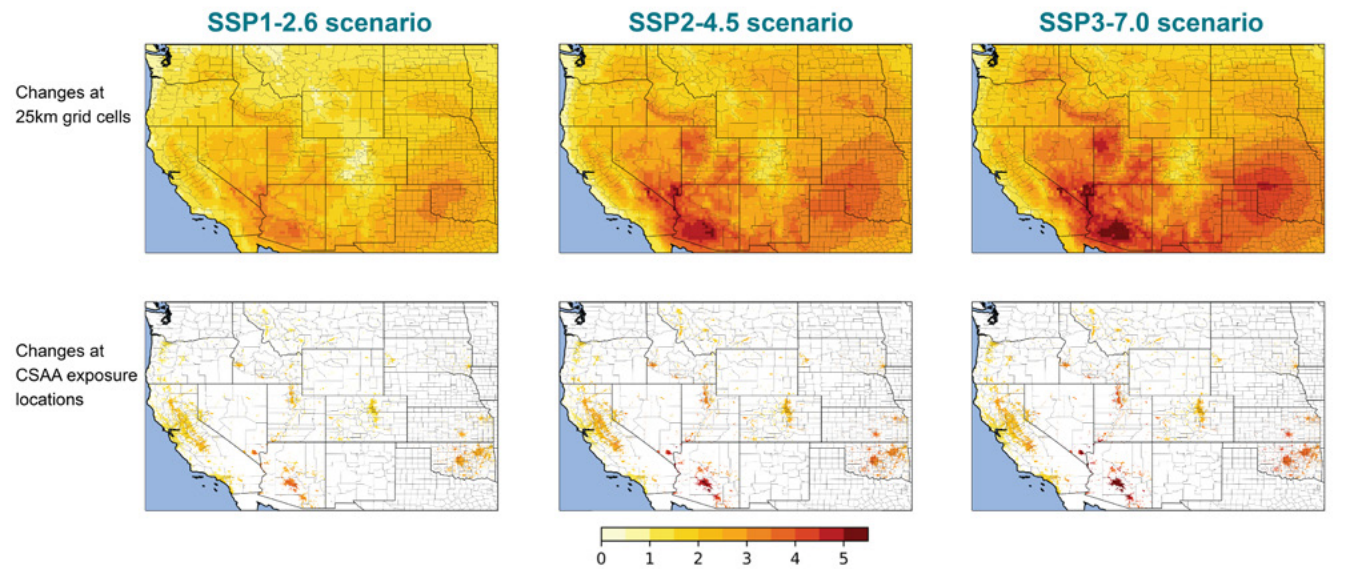
Source: Aon 2022 *Changes around year 2055 defined as 2045–2065 average minus 1995–2014 historical average

Change in Summer VPD Magnitude Around Year 2035*



Source: Aon 2022 *Changes around year 2035 defined as 2025–2045 average minus 1995–2014 historical average

Change in Summer VPD Magnitude Around Year 2055*

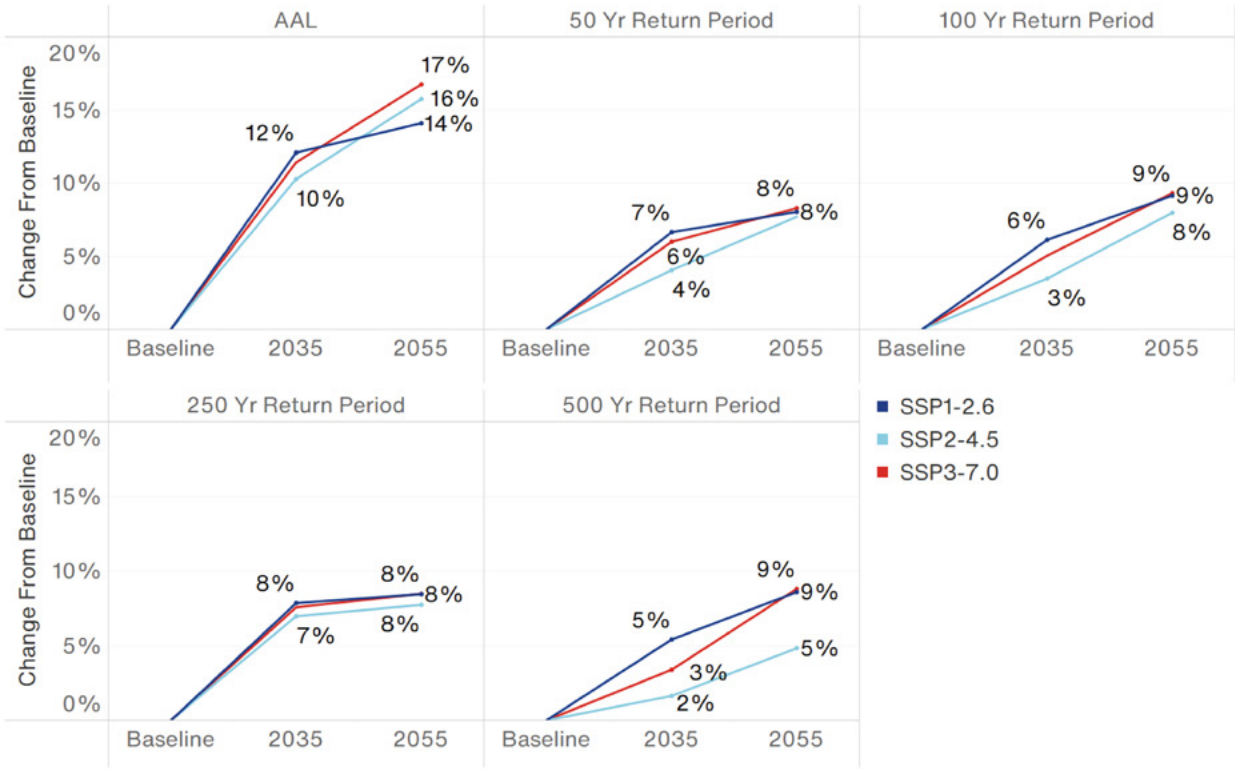


Source: Aon 2022 *Changes around year 2055 defined as 2045–2065 average minus 1995–2014 historical average

Vapor Pressure Deficit (VPD) is used to predict increased wildfire severity due to climate change.

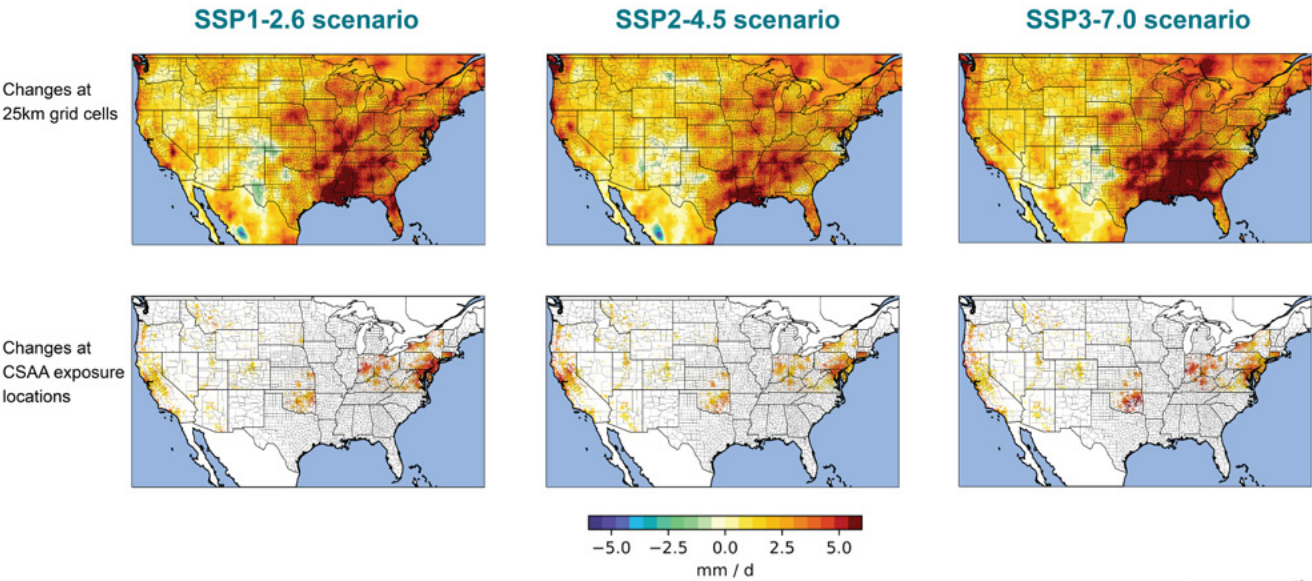


Climate Change Impact to Modeled Wildfire Losses



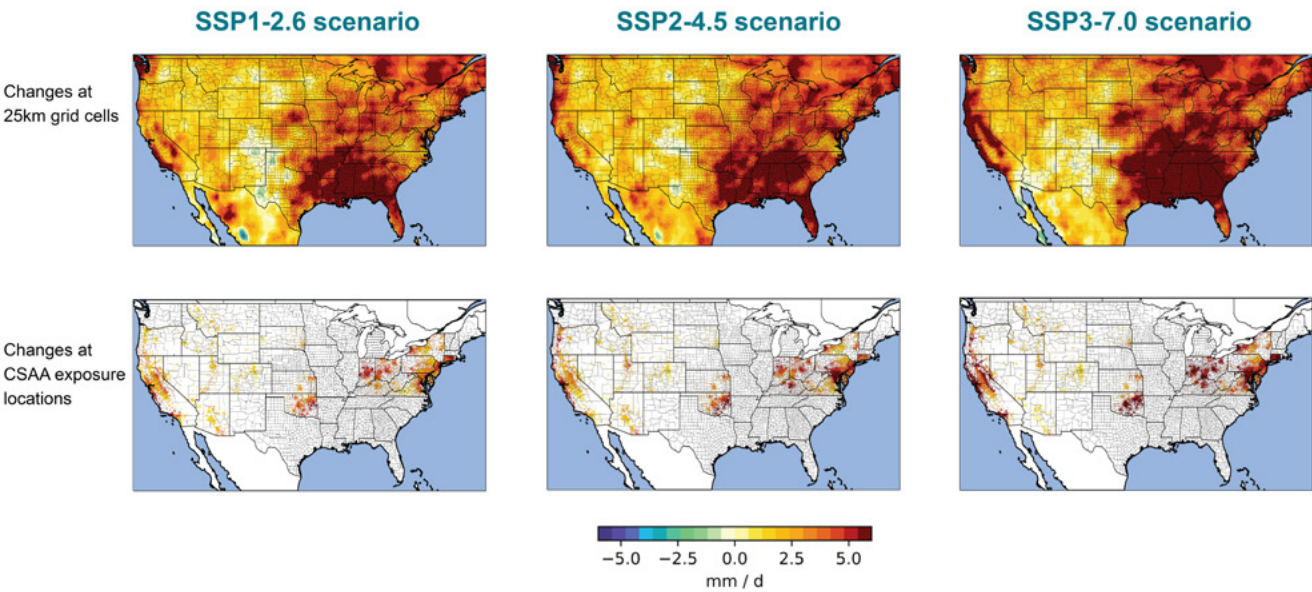
Source: Aon 2022

Change in Extreme Rainfall Intensity Around Year 2035*



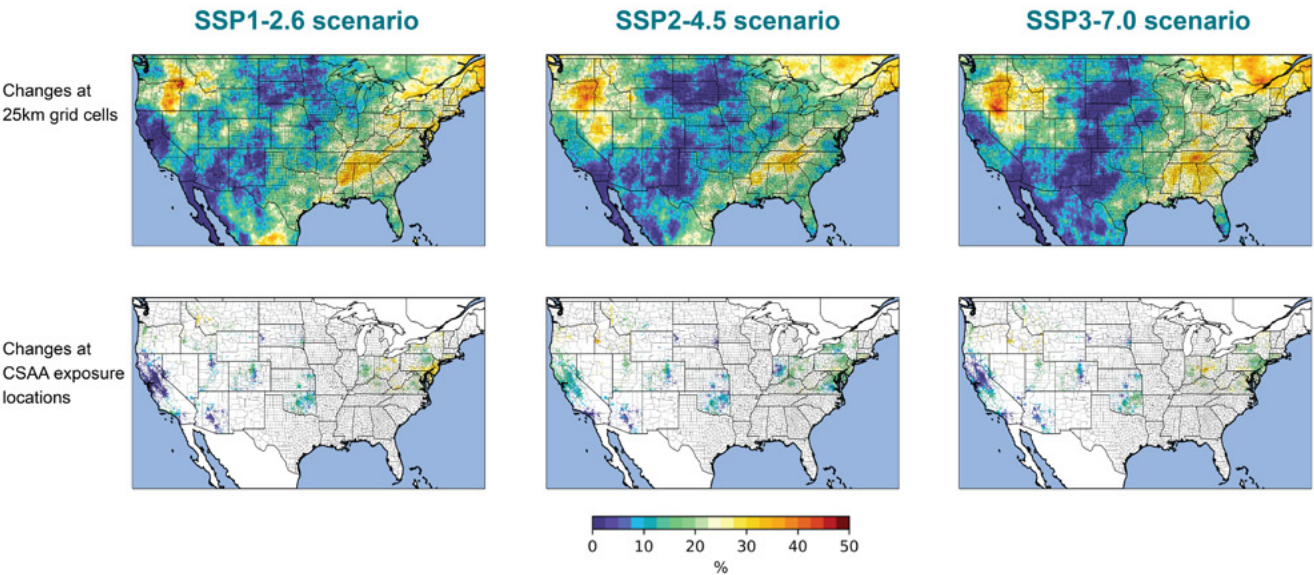
Source: Aon 2022 *Changes around year 2035 defined as 2025–2045 average minus 1995–2014 historical average

Change in Extreme Rainfall Intensity Around Year 2055*



Source: Aon 2022 *Changes around year 2055 defined as 2045–2065 average minus 1995–2014 historical average

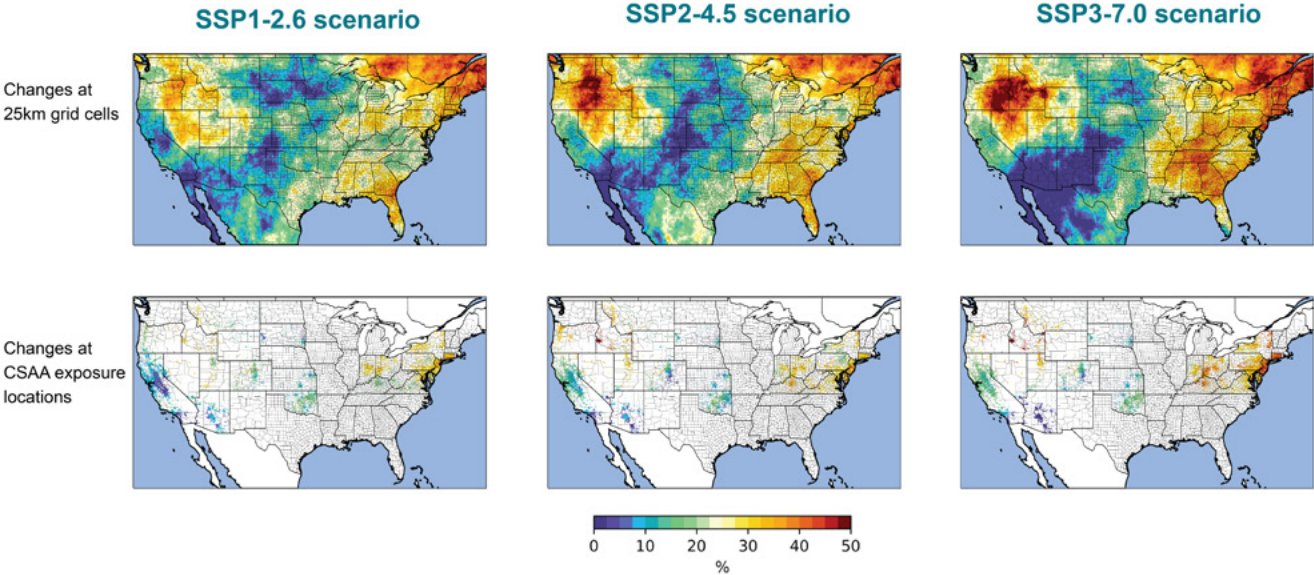
Change in Extreme Rainfall Frequency Around Year 2035*



Source: Aon 2022

*Changes around year 2035 defined as 2025–2045 average minus 1995–2014 historical average

Change in Extreme Rainfall Frequency Around Year 2055*



Source: Aon 2022

*Changes around year 2055 defined as 2045–2065 average minus 1995–2014 historical average

*Figure adapted from Myhre, G., Alterskjær, K., Stjern, C.W. et al., Frequency of extreme precipitation increases extensively with event rareness under global warming. Sci Rep 9, 16063 (2019). <https://doi.org/10.1038/s41598-019-52277-4>



Risk Management

Risk Identification and Prioritization

Risk Appetite

Risk Tolerances and Limits

Audit Committee Quarterly Update



Our climate risk is incorporated into our existing enterprise risk management process. New in 2023, we have further incorporated climate change into our enterprise risk management process by identifying climate change drivers of our top enterprise risks, where appropriate. The impact rating and speed of onset help highlight the most pressing climate change issues.

Enterprise Risk Management (ERM) Process and Center-Led Elements

We have a risk governance structure that supports the continued development and maintenance of an effective risk and control culture, which encompasses our most significant risk categories.

Risk Identification and Prioritization

The Enterprise Risk Office uses a variety of sources to develop a listing of potential enterprise risks:

- Individual interviews with executives from across the organization
- Collaboration with Internal Audit and Compliance on its risk assessment process
- External publications
- Discussion of new and emerging risks
- Review of 10K reports of competitors
- Risk Committee and ERM Leadership Team meetings

Through this research, the Enterprise Risk Office identifies a universe of enterprise risks. The ER Office proactively aligns with Internal Audit and Compliance to prioritize the risk universe into three tiers:

1. Top Enterprise Risks
2. Tier 2
3. Tier 3

The ER Office and Risk Committee developed CSAA IG’s definition of a Top Enterprise Risk as one that meets some or all of the following conditions:

- Is very severe or catastrophic in nature
- Will benefit (risk owners and or enterprise leadership) from increased insight, understanding and focus from a risk-explicit discussion (i.e., meets the “add value” test)
- Is concerning to enterprise leadership (i.e., keeps leaders awake at night)
- Can include new and emerging risks that may not manifest themselves for many years

We believe that prioritizing the Top Enterprise Risks that go through the in-depth ERM framework allows company leadership to focus its time on the most important risk discussions and leads to more meaningful and impactful risk management outcomes.

Tier 2 risks are less concerning and less apt to benefit from the more formalized Top Enterprise Risk governance process, but we would be remiss if they were not reviewed by the ERM function using a lighter governance framework, such as our quarterly risk dashboard. Tier 3 risks are the remaining risks in the universe that were identified but not as highly prioritized.



Risk Appetite

At CSAA IG, we clearly define and evaluate our risk appetite as the level of uncertainty we are willing to assume. We identify our appetite for risks as low, moderate or high. For risks that we state we have a low appetite for, we monitor more frequently, note changes to the risk and assess how those changes impact us. We are also more likely to have specific individuals monitoring these risks. For risks that we state we have a high appetite for, we review less frequently and our position and stance on the risk does not change often. A moderate level of risk tolerance results in periodic review.

The Risk Appetite Statement goes through five levels of in-depth discussions, including conversations with the multiple risk owners, Enterprise Risk Office, ERM Leadership Team, Risk Committee and Audit Committee. In these discussions, we identify areas in our Risk Appetite Statement that are aspirational and analyze what needs to be different for us to make the statements a reality. We redirect our risk focus on these aspirational areas to drive “right conversations with the right people at the right time.” We view our Risk Appetite Statement as a living document that is updated at least annually and as needed.

Risk Tolerances and Limits

For each Top Enterprise Risk, the risk owner identifies the tolerance to which the risk is managed. These risk tolerances are discussed

with the risk owner, Enterprise Risk Office, ERM Leadership Team and Risk Committee.

Risk Monitoring, Reporting and Communication

The periodic monitoring and reporting of enterprise risks includes five gates: risk owner, Enterprise Risk Office, ERM Leadership Team, Risk Committee and Board/Committee.

The Enterprise Risk Office approaches risk reporting and communication through two lenses:

1. Reporting and communication of our enterprise risks
2. Reporting and communication of our ERM process

The Enterprise Risk Office facilitates the enterprise risk reporting process with the designated risk owner. Where it adds value, risk owners of Top Enterprise Risks report the following:

- Initial in-depth ERM framework through the five gates
- Annual refresh of the ERM framework through the five gates
- Quarterly risk certification and reporting to Enterprise Risk Office
- Other governing bodies



As a function of our center-led ERM process, the Enterprise Risk Office communicates and reports the following information on our ERM process:

- Frequent reporting to ERM Leadership Team, generally several times a year
- Frequent reporting to Risk Committee, generally several times a year
- Periodic reporting to Audit Committee, generally quarterly
- Periodic reporting to F&I Committee, generally quarterly

- Periodic, generally annual, reporting to Board of Directors
- Annual reporting to A.M. Best
- Regulatory reporting and other internal and external bodies (as needed)

The Audit Committee is the governing body that oversees CSAA IG’s risk assessment and risk management process and structure. The CRO provides an ERM update during each Audit Committee meeting and generally reports to the full Board once a year on the ERM program.

Audit Committee Quarterly Update

For the quarterly ERM update to the Audit Committee, the Enterprise Risk Office prepares, and the Chief Risk Officer presents, the following information:

- The Top Enterprise Risk Dashboard reports the quarterly certification of risks and associated mitigation actions by the risk

owners. Changes from the prior Audit Committee meeting are generally identified and discussed.

- The Tier 2 Risk Dashboard highlights company risk positions across multiple key risks versus stated risk tolerances.



Metrics and Targets

Where We're Headed
How We're Getting There



Where We're Headed

In 2021, CSAA Insurance Group publicly announced for the first time its greenhouse gas (GHG) emission targets, including:

- A science-based target for real reductions that aligns with a 1.5°C future
- A carbon-neutral target for its Scope 1, Scope 2 and Scope 3 emissions from business travel and employee commute.

More specifically, CSAA Insurance Group has publicly committed to the following:

By 2025

- Achieve a 50% direct reduction (vs. 2016 baseline) in Scope 1, Scope 2 and Scope 3 emissions from business travel, employee commute and work from home.
- Achieve carbon neutrality for the remainder of Scope 1, Scope 2 and Scope 3 emissions from business travel and employee commute through the purchase of carbon offsets and renewable energy (i.e., renewable energy certificates [RECs], virtual power purchase agreements, etc.)



Our Drive to Reduce Emissions

The pandemic-driven shift to 87% of CSAA permanently working from home helped decrease our emissions in both employee commute (~90%) and in-office energy use (~49%). We now include emissions associated with home offices in our goals and reporting. We are committed to communicating transparently about our climate journey and surveying employees to ensure we are accurately capturing the data into our Scope 3 emissions (those not produced by CSAA or the result of activities from assets owned or controlled by CSAA, but that we are indirectly responsible for, up and down our value chain).

We continue to work diligently to achieve our goal of 50% decarbonization from our baseline of 2016, including work-from-home emissions, and carbon neutrality by 2025. We are proud to report that we have already reduced emissions by ~45%, exceeding our projections. We did see an increase of 9% in our emissions from 2021 to 2022 as the world opened back up postpandemic. We will continue to look for ways to reduce our emissions and find the most sustainable paths forward for home offices and business travel.

After significant progress transitioning to hybrid vehicles (>90% of fleet), CSAA did not purchase any new vehicles for 2022 in anticipation of a large purchase of new zeroemission vehicles (ZEVs) in the next several years.

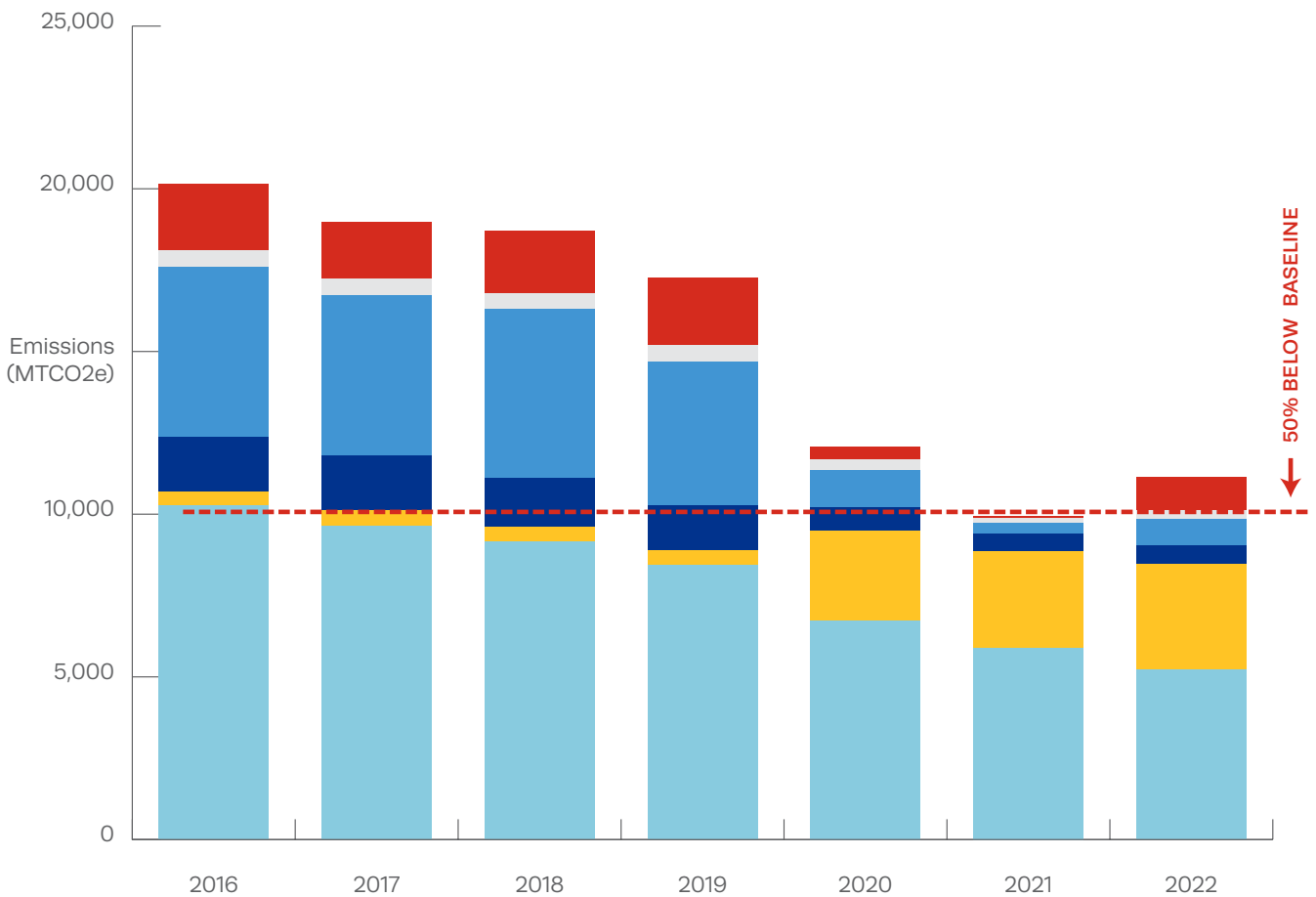
For the first time, we voluntarily submitted our climate journey, including our emission inventories, to the CDP (formerly the Carbon Disclosure Project), a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. It is the gold standard of environmental reporting with the world's most comprehensive dataset. More than 18,000 organizations reported in 2022.

Reporting our environmental data through CDP enables us to protect and improve CSAA's reputation, boost competitive advantage, uncover risks and opportunities, and track and benchmark our climate progress. We filed CDP as it aligns with our goals of transparency and accountability as we continue to advance our climate journey.

Organizations that submit their data to CDP receive an annual score from A to F. As expected for our first submission, CSAA scored a C for 2022 (with the CDP's high bar, only 2.5% of the 18,000+ organizations received an A). This milestone will help us propel our work forward and better understand our strengths and opportunities. Our results offer insights that will help us establish specific goals across our company to deepen accountability as we continue our climate journey.



Progress in Emissions Reductions Since 2016



CSAA emissions data have been diligently collected and calculated since our baseline of 2016. This graph shows our progress toward our 2025 goal of 50% reduction, inclusive of Scopes 1, 2 and 3 (business travel, employee commute, and home offices). We have achieved a 45% reduction, well on our way to our goals.

- Business Travel
- Natural Gas
- Employee Commute
- Fleet Vehicles
- WFH Energy Use
- Electricity



CSAA Insurance Group,
a AAA Insurer