

California Department of Insurance

**INSURER CLIMATE RISK DISCLOSURE SURVEY
For Calendar Year 2009**

Due Date: May 1, 2010

Instructions:

- i. **Insurers are required to submit the *Climate Risk Disclosure Survey* to the domestic regulator by May 1 each year.** Surveys are intended to be submitted to the domestic regulator of insurer group's lead state (i.e. the regulator overseeing the insurer within the group that reports the largest direct written premium volume.)
- ii. Narrative responses are acceptable. Where an insurer's response to other disclosure mechanisms, such as the Carbon Disclosure Project (CDP) or Global Reporting Initiative, explicitly addresses the subject matter of a question in this survey, the insurer may reference and attach their most recent response to that external mechanism in lieu of providing a duplicative response.
- iii. Insurers are required to answer all questions in good faith and with meaningful responses. However, there is no requirement to provide information that is immaterial to an assessment of financial soundness (insurers may choose to disclose such information voluntarily, with no implication that such information is in fact material).
- iv. Insurers are **not** required to provide quantitative information, provide information that they in good faith believe is commercially sensitive or proprietary, or provide forward-looking information. If an insurer chooses to provide forward-looking information, the insurer may disclaim any responsibility for the accuracy of such forward-looking information. Provided the insurer supplies such information in good faith, it may condition its response with a waiver of any claim under any theory of law based on the inaccuracy of such information.

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Due Date: May 1, 2010

Company Name:	California State Automobile Association Inter-Insurance Bureau				
NAIC No.	15539	NAIC Group No.	1278	Domiciled State:	CA
CA Direct Premiums Written	\$1,794,151,714		Nationwide Direct Premiums Written	\$1,794,460,317	

Responses are on separate sheets attached at the end of this document

<u>Survey Questions</u>	<u>Comparable CDP Questions</u>
<p>Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations? If yes, please summarize. <u>Answer:</u></p>	Performance Question 21
<p>2. Does the company have a climate change policy with respect to risk management and investment management? If yes, please summarize. If no, how do you account for climate change in your risk management? <u>Answer:</u></p>	
<p>3. Describe your company's process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications. <u>Answer:</u></p>	Risks and Opportunities Questions 1-3
<p>4. Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks. <u>Answer:</u></p>	Risks and Opportunities Questions 1-3

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<p>5. Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken. Answer:</p>	<p>Risks and Opportunities Question 3: "Other Risks" Question 6: "Other Opportunities"</p>
<p>6. Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events. Answer:</p>	<p>Risks and Opportunities Questions 4-6</p>
<p>7. Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change. Answer:</p>	<p>Governance Questions 24, 26, 27</p>
<p>8. Describe actions your company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling. Answer:</p>	<p>Risks and Opportunities Questions 1-3</p>

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Climate Risk Disclosure Survey Guidance**Discussion**

This document offers guidance to insurers responding to the annual mandatory Insurer Climate Risk Disclosure Survey (hereafter referred to as the “Survey”). Those questions contained in this guidance document which are not part of the official set of Survey questions are intended only to guide respondents as they craft their responses to the Survey and are not compulsory.

Guidance Notes**Survey Application and Instructions****i. Response Submissions**

Mandatory disclosure will depend on the premium amounts reported for the most immediate prior financial reporting year. If an insurance group reports over **\$500,000,000** for **2009**, it must complete the survey and submit it to its domestic regulator on or before **May 1, 2010**. However, if an insurance group reports less than that, it will not be required to complete and file the survey, but it may do so voluntarily. For subsequent financial reporting years, disclosure will be mandatory for all insurance groups with premiums that exceed **\$300,000,000** for the most immediate prior financial reporting year.

ii. Quantitative and Forward-Looking Information

Insurers are not required to submit quantitative information but may do so without implying materiality. Insurers are encouraged to provide quantitative information where it offers additional clarity on trends in the intensity or attenuation of natural hazards, insured losses, investment portfolio composition, policyholder risk reduction or improvements in computer modeling. As climate science improves (i.e. when there is greater agreement between observed data and models or when there is integration of catastrophe and climate models), insurers should be able to provide quantitative information with less uncertainty.

Insurers are encouraged but not required to provide forward-looking information that will indicate the risks and opportunities insurers may face in the future; when provided, insurers may disclaim any responsibility for the accuracy of such forward-looking information. Forward-looking information is assumed to have some degree of uncertainty; if provided, insurers should offer explanation on the degree and sources of uncertainty as well as assumptions employed.

iii. Response Required

Insurers in all segments of the industry are required to respond to all eight questions. An insurer may state that a question is not relevant to its business practice, operations or investments. However, if it does so, it must also explain why the question is not relevant.

Survey Questions

Question One: Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations? If yes, please summarize.

Insurers who are unfamiliar with frameworks for greenhouse gas emission measurement and management are encouraged to review the principles of “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)” developed by the World Resources Institute and the World Business Council for Sustainable Development (“the GHG Protocol”).

Each insurer is encouraged to clarify whether its plan for measuring and management of its emissions in operations and/or its subsidiary organizations’ operations includes emissions related to energy use for data storage or other computing-intensive processes.¹

Question Two: Does the company have a climate change policy with respect to risk management and investment management? If yes, please summarize. If no, how do you account for climate change in your risk management?

Questions to consider include:

- Where in the structure of the company is climate risk addressed?
- Does the company approach climate change as an Enterprise Risk Management (ERM) issue?
- Does the company have a dedicated point-person or team within the company that is responsible for managing its climate change strategy?
- What is the role of the board of directors in governing climate risk management?
- Does the company consider potentially correlated risks affecting asset management and underwriting?
- Has the company issued a public statement on its climate policy?

Question Three: Describe your company’s process for identifying climate change related risks and assessing the degree that they could affect your business, including financial implications.

Questions to consider include:

- How may climate change shift customer demand for products?
- What implications may climate change have on liquidity and capital needs?
- How might climate change affect limits, cost and terms of catastrophe reinsurance, including reinstatement provisions?
- Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?

¹Data centers consume more energy than any other area of an organization because they contain both IT equipment and the infrastructure that is needed to cool that equipment. The Environmental Protection Agency found that data centers consumed about 60 billion kilowatt-hours (kWh) in 2006, roughly 1.5 percent of total U.S. electricity consumption. Nancy Faig, Insurance & Technology “The Greening of Data Centers” Mar 07, 2008 URL: <http://www.insurancetech.com/showArticle.jhtml?articleID=206902492>.

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- How are these impacts likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?

Question Four: Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by risks.

Questions to consider include:

- Which business segments or products are most exposed to climate-related risks?
- Has the company considered its potential exposure to climate liability through its D&O or CGL policies?
- Are there geographic locations, perils or coverages for which the company has increased rates, limited sales, or limited or eliminated coverages because of catastrophic events? How do those actions relate to assessments of climate change impacts made by the company?
- Has the company examined the geographic spread of property exposures relative to the expected impacts of climate change, including a review of the controls in place to assure that the insurer is adequately addressing its net exposure to catastrophic risk?

Question Five: Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken.

Questions to consider include:

- Does the company consider regulatory, physical, litigation, and competitiveness-related climate risks, among others, when assessing investments?
- Has the company considered the implications of climate change for all of its investment classes, e.g. equities, fixed income, infrastructure, real estate?
- Does the insurer use a shadow price for carbon when considering investments in heavy emitting industries in markets where carbon is either currently regulated or is likely to be regulated in the future?
- Does the insurer factor the physical risks of climate change (water scarcity, extreme events, weather variability) into security analysis or portfolio construction? If so, for what asset classes and issuers (corporate, sovereign, municipal)?
- How does climate change rank compared to other risk drivers, given the insurer's asset liability matching strategy and investment duration?
- Does the insurer have a system in place to manage correlated climate risks between its underwriting and investments?

Question Six: Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.

Questions to consider include:

- How has the company employed price incentives, new products or financial assistance to promote policyholder loss mitigation? In what lines have these efforts been attempted,

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and can the outcome of such efforts be quantified in terms of properties retrofitted, losses avoided, etc.?

- For insurers underwriting D&O, CGL and professional liability policies, what steps has the company taken to educate clients on climate liability risks or to screen potential policyholders based on climate liability risk? How does the company define climate risk for these lines?

Question Seven: Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.

Questions to consider include:

- How has the company supported improved research and/or risk analysis on the impacts of climate change?
- What resources has it invested to improve climate awareness among its customers in regulated and unregulated lines?
- What steps has it taken to educate shareholders on potential climate change risks the company faces?

Question Eight: Describe actions your company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling.

Questions to consider include:

- For what perils does the company believe that future trends may deviate substantially from historical trends due to changes in the hazard? Similarly, for what perils, if any, does the company believe that a catastrophe model extrapolating observed trends would be insufficient to plan for maximum possible loss or yearly average loss? What steps has the company taken to model or analyze perils associated with non-stationary hazards?
- Has the company used catastrophe models to conduct hypothetical “stress tests” to determine the implications of a wide range of plausible climate change scenarios? If so, over what timescale, in what geographies and for what perils?
- Has the company conducted, commissioned or participated in scenario modeling for climate trends beyond the 1-5 year timescale? If so, what conclusions did the company reach on the potential implications for insurability under these scenarios?

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Climate Change Resources for Insurers

There are many publications and websites that can provide insurers with a useful overview of the potential impacts of climate change on the insurance sector. The following resource list is not comprehensive but offers a good starting point for insurers seeking more information on the scientific basis of climate change, risks to insurers, catastrophe modeling, public policy, liability, risk management and impacts on insurer investments.

Impacts of Climate Change on the Insurance Sector

Geneva Association, Climate Change and its Economic Impact on Insurance URL:

http://www.genevaassociation.org/Home/Climate_Change.aspx.

Insurance Information Institute, Climate Change, Insurance Issues URL:

<http://www.iii.org/disasters/ClimateChange>.

Hecht, Sean. 2008. "Climate Change and the Transformation of Risk: Insurance Matters," UCLA Law Review, Vol. 55: 1559-1620. URL: <http://ssrn.com/abstract=1159853>

Mills, Evan. 2008. "From Risk to Opportunity: 2008 Insurer Responses to Climate Change." URL:

<http://www.ceres.org/Document.Doc?id=417>.

NAIC Climate Change and Global Warming (EX) Task Force. 2008. "The Potential Impact of Climate Change on Insurance Regulation." URL: http://www.naic.org/store_pub_whitepapers.htm#climate_change.

Ross, C., E. Mills, and S. Hecht. 2007. "Limiting Liability in the Greenhouse: Insurance Risk-Management in the Context of Global Climate Change." Stanford Environmental Law Journal and the Stanford Journal of International Law, Symposium on Climate Change Risk, Vol. 26A/43A:251-334. URL:

<http://eetd.lbl.gov/EMills/PUBS/PDF/Liability-in-the-Greenhouse.pdf>.

Life and Health Insurers and Climate Change

Harvard Medical School, Center for Health and the Global Environment, "Climate Change Futures: Health, Ecological, and Economic Dimensions." URL: <http://chge.med.harvard.edu/programs/ccf/index.html>.

Health Canada, "Climate Change: Preparing for the Health Impacts, Health in a Changing Climate." URL:

<http://www.hc-sc.gc.ca/sr-sr/pubs/hpr-rpms/bull/2005-climat/2005-climat-5-eng.php>.

McGeehin, M. A. and M. Mirabelli. 2001. "The potential impacts of climate variability and change on temperature-related morbidity and mortality in the United States," Environmental Health Perspectives. May, Vol. 109, Suppl. 2: 185-189. URL: <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1240665/pdf/ehp109s-000185.pdf>

Ebi, Kristie L. and Glenn McGregor. 2008. "Climate Change, Tropospheric Ozone and Particulate Matter, and Health Impacts," Environmental Health Perspectives. November, Vol. 116, Suppl. 11: 1449-1455. URL:

<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2592262/>

Climate Change Disclosure

World Resources Institute and the World Business Council for Sustainable Development, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)." URL:

<http://www.ghgprotocol.org/standards/corporate-standard>.

Carbon Disclosure Project ("CDP") URL: <http://www.cdproject.net/>.

Global Reporting Initiative ("GRI") URL: <http://www.globalreporting.org/Home>.

Climate Change Science

Intergovernmental Panel on Climate Change (IPCC). 2007. "Climate Change 2007: The Physical Science Basis." For a summary of the IPCC's 2007 reports, see IPCC, "Climate Change 2007: Synthesis Report – Summary for Policymakers," IPCC. URL: <http://www.ipcc.ch/ipccreports/ar4-wg1.htm>.

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Climate Change Risk Disclosure Survey 2009 California Responses

1. Does the company have a plan to assess, reduce or mitigate emissions in its operations or organizations? If yes, please summarize.

Yes. We are a personal lines property/casualty insurer group primarily writing automobile and homeowners insurance policies, for AAA members, on risks located in 18 states, with the majority of those risks located in Northern California.

Most of the matters described in the answers to this survey involve activities conducted by us as an insurer. In some instances, we also describe efforts conducted by the AAA motor clubs for whose members we provide insurance, as those efforts are symbiotic with ours.

In furtherance of reducing or mitigating emissions, the following summarizes some of the efforts undertaken:

- In the last year we have moved our company headquarters to a newly-constructed building in Walnut Creek (built to our specifications, and only a few blocks from a major BART public transit hub) which has since earned the coveted LEED Gold Certification from the U.S. Green Building Council for energy efficiency, the first and only such award for any building in the county. The building uses 40% less water and 17% less energy than buildings of similar size. Many of the materials used for construction of the interior of the building came, themselves, from recycled or sustainably-grown materials, and our ongoing operations emphasize recycling and the use of post-consumer products.
- Within the last year we also opened a new Operations Center in Oklahoma City designed to: utilize energy-efficient air conditioning, reduce cold air loss through building openings, employ low-flow plumbing fixtures, and increase the use of natural lighting. In addition, the facility promotes employee use of bicycles and fuel-efficient vehicles. It has earned a Silver Certification from the U.S. Green Building Council's LEED program.
- The membership magazine, VIA, sent to roughly 4 million AAA members, regularly showcases how motorists can reduce gasoline consumption to reduce their own carbon footprint. The March/April 2010 President's Page message from Paula Downey, including the "Good Directions" advisory, is but one example.
- When designed and constructed in partnership with Pacific Gas & Electric Company our Antioch, California, office was hailed by PG&E as "California's most energy-efficient office building".

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- Online resources for AAA members and insureds also highlight our "green" endeavors. They help members/insureds understand the differences, and the benefits, of purchasing hybrid fuel vehicles, how best to drive them for fuel efficiency, and the automobile insurance that we make available for owners of such hybrid vehicles.
- In recognition of our own corporate responsibilities, we have completed the conversion of our 300 vehicle insurance fleet to hybrids. The conversion saves 115,000 gallons of gasoline and reduces emissions by 1,314 tons on an annual basis.
- Throughout, we have also furthered our environmental commitment by annually offsetting our fleet's remaining carbon emissions, through TerraPass, for such leading-edge projects as wind-power and methane-reduction. As a result, our insurance vehicle fleet has been carbon neutral since 2007.
- AAA Emergency Roadside Service has added 8 Toyota Priuses to its fleet of tow trucks. The Priuses are dispatched when stranded motorists only need a jumpstart or other service that does not require a tow. By more efficiently servicing AAA members, each such vehicle is saving up to 140 gallons of fuel per month while still delivering the same level of service.
- Data centers are energy-intensive, so we have consolidated centers and boosted their energy-conservation characteristics.

2. Does the company have a climate change policy with respect to risk management and investment management? If yes, please summarize. If no, how do you account for climate change in your risk management?

Yes. Our risk management and investment management are aware of the NAIC's endeavors in this regard, and have followed the development of this survey for some years. Throughout, and to the present, company policy has not changed. We have always viewed it as our responsibility, as an insurer, to monitor any changes that may affect our obligations to our customers and our exposure to loss, whether property loss or investment loss. The possibility of climate change and its potential consequences is merely one element in that continuing process and analysis.

3. Describe your company's process for identifying climate change related risks and assessing the degree that they could affect your business, including financial implications.

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Please see our answer to Question 2. above. Beyond that, we offer the following observations:

- The degree to which we are affected by climate change risks is minimized by our geographic distribution over 18 states, none of which are Gulf-Coast states. The essential element of insurance is the spreading of risk, and by being geographically-diverse, but without concentration in windstorm-prone states, we have selected against that degree of adverse risk.
- We have not yet observed any customer-demand-shift for products in the automobile or homeowners markets which we serve. However, we are always assessing how best to offer products that are relevant to the insuring situations and needs of our customers and, to the extent that climate change may require product and/or process changes we will be alert to such needs and prompt in our reaction.
- For the foreseeable future, we do not anticipate any material impact that potential climate change may have on our liquidity or capital needs. We robustly reinsure our operations to minimize the potential for surplus or cash flow impact as a result of catastrophic events, and our ample surplus can absorb an upward trending of losses, should that occur.

4. Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by risks.

As a personal lines homeowners insurer, and to a lesser degree as a personal lines automobile insurer, our book of business has always been exposed to climate or weather-related losses of a potentially changing or catastrophic nature. As a result, product offerings, pricing and reinsurance, to name just a few factors, have always been undertaken with an understanding of and an eye toward the potential for large and multiple losses caused by weather or climate.

Insurers in some other lines of business may, only now, be starting to consider how weather-related and climate change risks might affect coverages and losses under the policies they issue, but these issues are not new to us and have been continually factored into our operations.

Nonetheless, we do recognize that if climate change is occurring it may require more frequent evaluation of available data in projecting and preparing for future losses to the properties and automobiles we insure.

Weather and climate-related losses can also occur to our own property and personnel, and it is important that we be able to continue operations following

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such losses, in order to meet our contractual obligations to those customers we insure. To that end, we maintain geographically-separated and redundant capabilities, backed up by disaster-contingency plans, and have a large workforce that can be redeployed to affected areas as needed.

Geographically, we are exposed to weather or climate-related risks in the 18 states in which we are currently doing business, but the majority of our writings are in Northern California. As noted earlier, we do not write in Gulf Coast states and therefore have a significantly lower windstorm exposure than many other homeowner and automobile insurers.

5. Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken.

The Company's investment policy balances competing objectives in a manner appropriate for funding our liabilities. We seek an optimal total return and income for an appropriate level of risk. Diversification of risk across asset class, security type, industry, geography, credit quality, duration, etc., is a key tool we use to accomplish our objectives. The effect of climate change across these characteristics is just one of the myriad of risks that may affect investments. At this time we have not altered our investment policy to address climate change as a separate risk factor.

6. Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.

Encouraging automobile drivers to reduce their emissions is one way to help reduce the accumulation of greenhouse gases that may contribute to climate change.

Depending on the state, our automobile insureds can utilize:

- Tips and videos on how to make all vehicles more fuel efficient.
- Classes to train hybrid vehicle owners how to optimize their fuel efficiency.
- Automobile insurance discounts designed to encourage the purchase and use of hybrid and alternative-fuel vehicles.
- New insurance programs that are usage-based, which encourage people to drive less.

Through the membership magazine, homeowner insureds regularly receive information and loss-prevention tips regarding such things as:

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- How to help reduce the risk of loss from wildfires, which many believe may be affected by climate change in terms of increased frequency and severity.
- The availability of flood coverage through the National Flood Insurance Program. This does not directly help prevent loss, but it does help prevent uninsured losses.

Certain of our homeowner insurance policies provide coverage for building code upgrades, which means that, following a loss, a property may be repaired or rebuilt to more exacting and more loss-resistant standards.

Home inspections on new homeowner business can identify hazards of the property that could lead to or increase the magnitude of loss. In many cases, applicants can be made aware of property improvements that would make the property both insurable and less prone to future loss from weather-related events.

For certain of our residential property insureds, we are contemplating an endorsement that could be purchased to provide coverage for rebuilding to "green standards" as established by a number of advisory entities or organizations.

7. Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.

Clearly, a key constituency in this process is our customer base of insureds. Our responses above to survey questions 1, 5 and 6 set forth the educational and other efforts undertaken with regard to that constituency.

Over the years AAA has actively supported the Clean Air Act, policies around clean vehicles and clean fuels, and the development of public transit systems, both in matters before Congress and in matters before state legislatures.

We have worked with the California and Utah legislatures to declare November as Alternative Fuels Awareness Month in both states. Each state resolution highlights how a consumer's choice in vehicle can significantly impact the environment and air quality, and highlights state leadership's efforts to reduce greenhouse gas emissions. To support the resolutions, we plan activities throughout the month to raise awareness about emerging clean fuel and vehicle options for consumers.

AAA has a long-standing partnership with the Institute of Transportation Studies at the University of California at Davis, a world leader in alternative fuel and

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vehicle research, sponsoring one of the first studies on the environmental impact of hybrid vehicles.

AAA also launched and helps fund the AAA Greenlight Fellowship at the UC Davis Institute of Transportation Studies, to assist minority students in the academic study of clean vehicles and fuels.

As we are a reciprocal inter-insurance exchange, we have no shareholders and are not publicly-traded. However, as mentioned in earlier responses above, we provide insurance to members of AAA motor clubs, and those members are an additional key constituency for the environmental education efforts that are extensively described above.

8. Describe actions your company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling.

As more fully set forth in our response to survey question 4, as a personal lines automobile and homeowners insurer we have a long history of assessing weather and climate-related risks, and of underwriting, pricing and reinsuring those risks in contemplation of both ongoing "normal" losses and the less frequent but potentially catastrophic loss or losses. Our ample surplus also serves as protection against an upward trending of losses, should that occur.

Because of our geographic distribution of risk, we are less exposed than many insurers to severe windstorm or wildfire losses, both of which could be affected by climate change in terms of frequency and severity. Nonetheless, we do recognize that if climate change is occurring, it could have many different temperature and weather-related manifestations that require that insurers, including ourselves, more frequently review and analyze the available data, as well as the methodologies (including models) used to analyze that data.

We utilize the catastrophe models of two major third-party modeling vendors to assist in determining our reinsurance program structure, and we purchase to a very conservative return period so that, in the event of increased catastrophic activity, we have a strong reinsurance program in place, sufficient to address multiple catastrophic events, if necessary.

While we are not significantly exposed to windstorm loss from hurricanes, the catastrophe models we employ are, themselves, now utilizing conservative assumptions--a "medium-term" hurricane event set, representing the next five years of expected activity, as opposed to the historical record of activity, and a "warm sea-surface temperature" event set. Such event sets are also often called "near-term".

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In summary, we will continue to do what we have always done--address emerging insuring issues and needs using sound underwriting, pricing and loss control methodologies. We will be alert to proper levels of concentration of risk and the types of risk involved. We will continue to have our own business continuity plans and disaster-preparedness contingency plans. Surplus adequacy, proper reserving, intelligent investing, attention to developments in predictive modeling and data, and ample reinsurance will be maintained. As climate change risk continues to be studied, measured and understood, it will be a factor to be considered in all of these basic insurance endeavors.

We will continue to conduct our own business operations in an environmentally-aware manner, and will continue to educate and work with AAA members, our insureds, regulators, legislators, academicians and the media to both understand and address any challenges that climate change may present.