

**Preface:**

This report was developed in 2010 and is updated annually in response to the guidelines for a Climate Risk Disclosure Survey originally set forth by the U.S. National Association of Insurance Commissioners in 2009 and 2010, and variations thereof that have since been adopted by some State Insurance Departments in the form of information requests.

The report is focused on responses most pertinent to the activities of the Allianz Group insurance companies operating in the United States – particularly Fireman’s Fund Insurance Company, in addition to Allianz Global Corporate and Specialty, Allianz Life Insurance Company of North America, Mondial Assistance USA, and Euler Hermes ACI – and further incorporates the related Allianz Group-wide activities that contribute to how its U.S. and other global insurance businesses respond to climate risk issues queried below. Relevant Allianz Group activities as reported in the annual Carbon Disclosure Project and the Allianz Group Annual Sustainability Reports are appended for further reference.

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

Yes.

Allianz Group insurance companies in the U.S. are among 37 Allianz Group companies worldwide that are integrated into a Group Environmental Management System (EMS), which tracks each company's emissions and other related indicators dating back to 2006 across operations worldwide. The Allianz EMS is an important management tool that aligns with the international standard for environmental management ISO 14001 as well as the European Eco-Management and Audit Scheme (EMAS), and enables the Allianz Group to monitor and control its five major areas of environmental concern: energy consumption, business travel, paper consumption, waste production, and water consumption. The Allianz EMS currently covers 81% of Allianz’s global employee base, compared to 76% in 2008. Regular assessments of the carbon footprint of the Allianz Group operations includes an individual scorecard and measures plan together with emission reduction forecasts for each Allianz group company. Allianz is working towards a global commitment to a 20% greenhouse gas emission reduction by 2012, using 2006 emissions as the baseline for both Allianz Group and each company’s reduction target. U.S. companies are among the Group’s leaders in working towards this goal. For example, Fireman’s Fund Insurance Company has set its 2012 emissions reduction target at 25% and has reduced its energy usage by 36 percent since 1999 through measures at its facilities that were accredited by both the US Environmental Protection Agency’s Energy Star Program and the US Green Building Council’s Leadership in Energy and Environmental Design (LEED) certification system. Fireman’s Fund’s Novato headquarters received an Energy Star building rating of 92 (out of 100 possible points). More Allianz facilities will move in this direction as they implement minimum standards for energy efficiency and greenhouse gas emissions, currently being developed. Various facilities are developing other innovative ways to reduce their carbon footprint, including for example, Fireman’s Fund’s installation of fuel cell technology at its headquarters that will generate clean energy to produce 60% of the energy used at that location, reducing the company’s carbon footprint by 15%. Allianz companies will also benefit from a central Allianz Group “Green IT” program launched in 2010 by the Allianz international IT Purchasing Committee, which establishes minimum standards concerning IT equipment purchased and builds on an existing Procurement Policy for Allianz Global Purchasing that highlights areas for carbon reductions in IT Purchasing in line with international standards that have been approved by both the U.S. and European governments. The Allianz Group is also developing a global highly sophisticated videoconference concept (Basis HALO technology) that is expected enable Allianz companies and other Allianz Group companies around the world to reduce travel between high frequency routes by approximately 25%. With natural resource protection integrated into the global Allianz Group Code of Conduct and monthly employee communications on climate change issues,

Allianz employees are increasingly engaged in assuring their companies make progress towards greenhouse gas reduction goals.

More details on the Allianz Group EMS, including global governance, strategy and achievements, can be found on pp.23-30 of the 2010 Allianz Sustainability Report (see Appendix).

**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.

Allianz has developed a long-term strategy to address climate change risks and opportunities and to reduce its own environmental impact. This strategy involves strengthening key partnerships, setting goals and targets, and developing new products and services. An 80 point action plan encompasses 17 objectives, among which are reducing the company's carbon emissions, developing products and services geared to address climate change, risk management objectives, leveraging climate change research, and contributing to related public policy development. As part of this comprehensive strategy, a program on emerging risks was integrated into the Allianz Group Risk Policy in 2004 and explicitly includes climate change as a distinct and ongoing topic in the Group Risk Policy. Identifying the impact of, and adequate response to, climate change risks and opportunities across the Allianz companies has become a key focus of the Group's Emerging Risks platform. In addition, the Allianz companies have implemented a Group-wide Catastrophe Risk Policy and are investigating the potential impact of climate change risks in this regard, and in doing so are able to draw on the scientific and analysis capacities of the Allianz Re Cat Management Group where climate risks are also being investigated. As a result, Allianz Group companies are working to assess climate change in their existing risk management and investment management processes. In addition to each businesses independent response to climate change impacts on risk management and investments, global consistency and coordination is ensured through a comprehensive annual review of the broader Allianz Climate strategy, reported to the Allianz Board of Management. Allianz has also developed a stand-alone business unit "Allianz Climate Solutions" that houses significant climate risk related expertise and is helping adjust Group Risk Policies and Standards that govern worldwide businesses, as well as Group investment strategies. This unit also provides technical and other expertise that the U.S. and other worldwide businesses can draw upon as they respond to climate risk issues ranging from responsive product development to risk management and investment considerations. Allianz Real Estate also began development of a formal concept for the evaluation of several building categories in order to build a foundation from which to develop carbon-related guidelines in 2010, now being used in pilots.

More details on the Allianz Group-wide Risk Management System - which includes climate risk considerations as part of extensive risk capital calculations and various risk governance structures and strategies, is available on pp. 10-11 of the 2010 Allianz Sustainability Report (see Appendix). Additional discussion of the Allianz Group's broader strategy for addressing climate change issues can be found on pp. 16-20 of the 2010 Sustainability Report.

**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.**

Allianz companies regularly assess climate change related business risks and financial implications through the risk governance structures described in survey response (2) above. In addition, the Allianz companies in the U.S. actively participate in an Insurance Center of Competence on Climate Change, which convenes senior business leaders to assess the latest

knowledge on climate related risks and opportunities facing our businesses and customers, and to develop products, services and business strategies that reduce greenhouse gas emissions, adapt to climate risks, and improve understanding of emerging climate risks.

**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.**

Allianz companies, and the customers we serve, face a variety of potential physical, regulatory and other risks and opportunities related to climate change.

For example, although our businesses are not significant greenhouse gas sources and are thus unlikely to face significant greenhouse gas regulation risks, we are monitoring how existing and proposed state and federal greenhouse gas regulations might create compliance risks and costs for our commercial clients – both as a factor we need to consider in our investment analysis, and as a service to our customers like the recently launched Allianz Global Corporate and Specialty coverage for damage or losses which prevent our clients from deliver carbon reduction certificates as planned. Similarly, evolving state and federal policy and regulation ranging from energy efficiency and renewable energy mandates to building codes need to be accounted for in our investment due diligence and underwriting criteria. With responsive insurance coverages like Fireman's Fund's industry leading green building and rebuilding insurance policies we enable our customers to upgrade their buildings to efficient standards and thus help to mitigate emissions. According to Allianz data, there has been a fifteen-fold increase in weather-related insurance claims over last 30 years. In Allianz's global industrial insurance business, 40% of damages are due to natural catastrophes. Over the next decade, Allianz estimates average losses for the insurance industry could grow to US\$41 billion per annum. Allianz companies draw upon the data analysis, meteorological, climate science and other expert resources such as the competence center for Natural Catastrophes within the Allianz Group Reinsurance unit, as well as broad partnerships with the international climate science community and related NGOs, to constantly update our understanding of the links between climate change and physical risks from more frequent and extreme severe weather – including heat waves, droughts, wildfires, thunderstorms and tornadoes, winter storms and severe cold weather, flooding and sea level rise. We are constantly working to access and help develop more precise and certain knowledge about the links between complex changes in the climate system and specific emerging and forecast impacts – not only because uncertainty in this regard is a risk to our ability to protect our customers and business assets, but also because our industry can play a key role working to integrate sophisticated risk modeling and risk management expertise with emerging climate science in a way that protects the availability and affordability of insurance solutions for our clients. We are also working closely with modeling agencies to better understand how they are integrating potential physical climate change risks into sophisticated modeling of exposures and potential losses, as well as various adaptive and loss-reduction methods and scenarios.

In addition to reviewing reports by the Intergovernmental Panel on Climate Change, the U.S. Climate Change Science Program, and other leading climate science sources, we partner with environmental organizations to commission and contribute to additional research on climate science, impacts, and implications for insurers. For example, our most recent of several reports commissioned in partnership with the World Wildlife Fund entitled *Major Tipping Points in the Earth's Climate System and Consequences for the Insurance Sector* evaluated potential thresholds in current climate projections to 2050, their economic costs, and assets at risk. The study follows a U.S. cooperation between Allianz and WWF that began with an influential 2006, report *Climate Change and Insurance: An Agenda for Action in the United States*, outlining the potential risks and solutions for the U.S. insurance industry. These are among many additional research efforts like Allianz's Hedging Climate Risk report and participation in the industry collaborative that resulted in the *Coastal Resiliency Blueprint*, which further examine insurance and policy solutions to the issue of concentrating population and rising value of infrastructure along floodplains and in coastal regions vulnerable to potential climate change impacts.

Ultimately, no one report can conclusively determine precise climate change impacts and risks and the appropriate insurance business response -- but as confidence in climate science and our understanding of impacts evolves, Allianz and its companies commission, collaborate and gather the broadest possible sources of credible research to inform our business decisions and protect our customers.

As office based companies with no manufacturing facilities, our direct exposure to such physical risks is somewhat limited, but nonetheless includes potential physical damage to corporate property and IT infrastructure, loss of employee working hours and business interruption, and higher operating costs in the form of energy demand and price affects. All of these are eventualities that the Allianz businesses are prepared for as part of the Allianz Group Business Continuity Planning and Crisis Management structures, which were set up in 2003 and have been adapted to include back-up office space solutions and IT infrastructure, teleworking models, and other measures that can respond to climate change related risks as our understanding of these risks develops.

Physical risks have a more significant implication in the form of potential underwriting risk, increased macroeconomic risk, and increased capital risk. Such physical risks underscore the need for loss mitigation investments that aim to preserve the affordability and availability of insurance. Through the Emerging Risk monitoring function of the Allianz Group and participation related forums coordinated by Harvard Medical School and others, Allianz is also monitoring physical risks that may create public health impacts that could indirectly affect Allianz of America's life insurance line.

In addition to underwriting risk, insurers may become exposed to reputational risk wherever climate risks may render certain perils and markets uninsurable due to inadequate loss mitigation and risk management, or encumbering regulations that prevent risk based pricing, constructive use of sophisticated loss exposure and mitigation measure modeling, enforcement of adequate codes, etc.

**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.**

Yes. Allianz is investing in clean technology, renewable and alternative energy, and other sectors that respond to physical, regulatory and other climate change related risks and opportunities - and provide compelling financial and long term risk reduction results. As of Dec. 2009, Allianz has completed about €760 million of a planned €1.5 billion global investment in wind, solar and other renewable-energy sources by 2012. Some investments can be closely tied to the emissions reduction strategy referenced in the question 1 of this survey - for example, in 2010 Fireman's Fund approved an investment in fuel cell technology that will generate about 60% of the energy at their CA headquarters, yielding a 15% reduction in carbon emissions through energy savings that are expected to deliver a \$1.5 million return on investment over the next 10 years. The green technology and infrastructure investments of Allianz are guided by the company's deep expertise as a leader in these sectors – and match the more than €1.3 Billion (as of Dec. 2009) that retail investors in the U.S. and Europe have invested in the EcoTrends Fund offered by RCM, a company of Allianz Global Investors. Recognizing the connections between climate change and water resource issues, Allianz Global Investors also launched the Allianz RCM Global Water fund in 2008, which seeks long-term capital appreciation by investing in a portfolio of companies that are substantially engaged in water-related activities that relate to the quality or availability of or demand for potable and non-potable water. By the end of 2009, the Global Water fund totaled more than €58 million in. Allianz Investment Management, located in Minneapolis, MN, is tied in to the global AIM network and Allianz SE's investment strategies.

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

Loss prevention is a critical component of how Allianz insurance companies are working to preserve the affordability and availability of adequate insurance in an era of climate change related risks. For example, Allianz works with other insurers, emergency managers and first responders, floodplain managers, and other key stakeholders in the SmarterSafer.org coalition to shape how both public and private insurance can promote loss prevention through two key principles: first and foremost, actuarially sound pricing that sends accurate risk signals about risky development in coastal plains and other areas exposed to climate risks, and second, investment in proven, cost effective pre-disaster loss mitigation investments that home and business owners can make. As the leading US insurer of green buildings and homes, Allianz is also working to merge loss prevention and the benefits of energy efficiency and greenhouse gas reductions as a win-win approach – by working in the broad based SmarterSafer.org and Rebuilding America coalitions to ensure that new federal incentives for energy efficient building and home improvements capture loss resiliency benefits, and working directly with customers as in the case of Fireman’s Fund Green Risk Management and Loss Control services, or the diverse risk consulting services Allianz Global Corporate & Specialty provides to industrial actors who are both exposed to climate related risks and play a key role in energy and other infrastructure development needed to help society adapt to these risks. Ultimately, our policies and risk consulting that enable clients to improve the energy efficiency of their homes and business operations represent a path towards energy savings for our customers and greenhouse gas reductions for the global environment, and thus a long term approach to mitigating future climate change related risks to our customers and our insurance businesses. Allianz has also worked with building code counsels and regulators, to create codes that we can help our customers recognize as critical loss prevention standards. Working with partners like Ceres on projects like the Coastal Resiliency Blueprint, Allianz has helped outline the steps customers can take to reduce climate related losses, provided that the insurance industry and policymakers set the appropriate framework for such measures. Fireman’s Fund also works closely with The Institute for Business & Home Safety (IBHS), the The International Association of Fire Chiefs (IAFC), and other partners to engage policyholders in support of disaster preparedness, These efforts relate closely to climate risks such as Wildfires, where for example, IAFC has helped define “Ember Zones” where Fireman’s Fund risk service consultants then recommend various measures that can be taken to safeguard a home from wildfire and prevent embers from entering a home. A summary fact sheet of Fireman’s Funds various offerings to connect policyholders with climate risk reduction – both in terms of loss prevention, and green solutions that reduce emissions and mitigate future physical climate risks, is available at: [http://www.firemansfund.com/Documents/Green\\_Press\\_Kit.pdf](http://www.firemansfund.com/Documents/Green_Press_Kit.pdf)

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

In addition to our customers, Allianz companies in the U.S. work with a broad set of stakeholders on climate change issues. We work closely with regulators and policymakers, -- for example, participating in Governor Schwarzenegger’s Alluvial Fan [flood plain] Task Force and the Maryland Insurance Commission’s Climate Change Advisory Committee, as the first insurer to become a U.S. Environmental Protection Agency Energy Star Partner, participating in several high-level meetings with the federal government including the White House Interagency Climate Change Adaptation Task Force meetings and a Capital Markets Partnership briefing for White House and Federal Agency Staff on Green Building Financing, etc. Fireman’s Fund also serves on the Capital Markets Partnership’s underwriting standard development committees for both sustainable manufacturing and integrative [green building] design, and works closely with the partnership’s other members and its national Chairman CA Lieutenant Governor Gavin Newsom. We also engage internationally through Allianz Group participation as co-chair of the United Nations Environment Program – Financial Initiative’s Climate Change Working Group, as a

participant in the Global Roundtable on Climate Change, as the first U.S. Insurer to join the UK based Climate Wise insurance industry collaborative, etc. We work closely with our industry peers, modeling firms, environmental groups, consumer and taxpayer advocates, emergency managers and first responders, and many other stakeholders in promoting environmentally sound, fiscally responsible natural catastrophe insurance models as part of the SmarterSafer.org coalition, and to promote loss-reduction adaptive measures with diverse partners on programs like the Coastal Resiliency Blueprint. We work with a broad-based coalition of labor, business, utilities, manufacturers, and policy groups that have come together in the Rebuilding America coalition to foster a robust, self-sustaining building energy efficiency retrofit industry that will cut energy use and greenhouse gas emissions in 50 million U.S. homes and businesses by 2020. Allianz companies participate in dozens of climate change related conferences each year, like the 2009 WWF Climate Savers Summit and the US Green Building Council's 2009 International Green Build conference. Through the Allianz of America Foundation, we work with educators and NGOs in developing programs like the Climate Witness project, which empowered youth displaced by Hurricane Katrina to study the impact of climate change and engage with their elected officials and communities in discussing impacts and solutions. Through the [knowledge.allianz.com](http://knowledge.allianz.com) platform, we have specifically set out to engage the broadest possible dialogue on climate change impacts and solutions.

**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.**

All of the risk management actions discussed in the survey responses above are part of a broader fundamental approach to risk management that Allianz companies apply to manage any material risk to our customers and our businesses – whether they are climate change related or not. While loss mitigation, accumulated risk management, policyholder behavior, adequate risk research, and many of the other components described above are paramount, Allianz companies utilize reinsurance to manage aggregations of risk, as well as specific accumulated risks in certain geographic areas or perils – whether these are the result of climate change impacts, societal factors, or other causes. Reinsurance treaty purchases are managed in coordination with Allianz Group Reinsurance, which helps ensure that the global impacts of climate change and all of the Groups related data analysis, loss exposure modeling and other resources are leveraged. Allianz of America companies also collaborate closely with reinsurers, modeling firms, and other parties to ensure full understanding about how these third parties are integrating climate risk considerations and the potential transferred impact thereof on our businesses and results.

With respect to the issue of modeling, Allianz companies use in-house and third party models to assess potential loss exposure and risk vulnerability, including catastrophe risks that may be impacted by climate change, as a complement to other actuarial methods and means of reducing uncertainty. As for example we pointed out in our submission to the MD Insurance Departments Climate Change Advisory Committee, modeling firms are not only taking steps like updated medium-term forecasts of increased hurricane activity, but they are also modeling loss exposures alongside the cost/benefit of various policy and insurer loss mitigation measures that can be deployed. To the extent that climate change impacts may be impacting loss exposures and spurring a need for mitigation measures in ways where historic data are limited, this is a critical complement to the other measures our business, industry and policymakers can leverage to secure the availability and affordability of insurance solutions in an era of climate change risks. For insurers, modeling firms, and policymakers alike, it is critical that resources and dialogue be deployed with the focus of improving climate science accuracy and resolution with respect to the frequency and severity, location timeframe, etc. of related risks, thereby increasing the utility of models, accuracy of risk assessments and loss mitigation prioritization, pricing that is neither excessive nor inadequate, and other priorities for maintaining insurance affordability and availability.

Furthermore, because potential climate change impacts may increase the need for additional inter-temporal risk diversification beyond what traditional reinsurance can offer, and because of

peak loss events like the \$144 billion (of which \$49 billion were insured) in losses from Hurricane Katrina alone, Allianz has been a leader in developing alternative models for our businesses and customers to transfer risk to the capital markets through special instruments like Catastrophe Bonds. In 2007, Allianz created a dedicated team to investigate and execute transactions that transfer insurance risks, primarily natural catastrophe risks, into the capital markets. Capital markets can play an important role in spreading risks from natural disasters among a large group of capital providers. Since 2007, Allianz has accessed the capital markets repeatedly sourcing protection against peak risks, and this may become another particularly important risk diversification tool in light of projected climate change impacts on the frequency and severity of natural catastrophes.

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#### APPENDIX – Additional Reference Materials



CDP 2010 Investor  
Information Request



Allianz SE 2010  
Sustainability Report