Moody's

ESG Insurance Underwriting Solution

Environmental, social, and governance (ESG) creates both risk and opportunities for P&C insurers to grow their business, that provides another lens through which to view risk selection and appetite. The door is open for P&C insurers to build competitive advantage by creating their own view of ESG risks, redefining risk appetites, and incorporating ESG into the decision-making process. Insurers can also critically engage with their insureds, especially those with emission-intensive activities, on their decarbonization strategies and net-zero transmission paths.

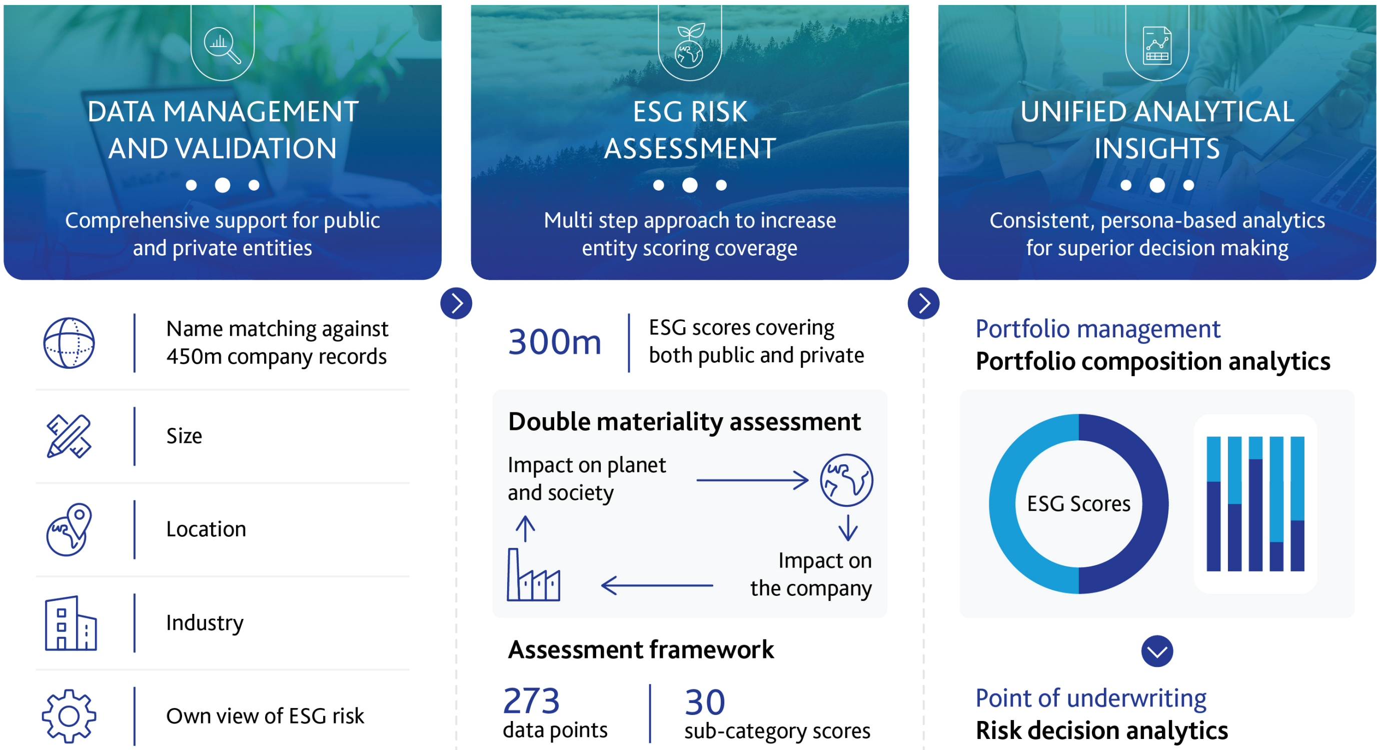
Incorporating ESG into the decision-making process can help insurers identify new growth opportunities, differentiate themselves in a crowded market, improve underwriting profitability, and attract new capital.

ESG risk creates several practical challenges for insurers:

- Sourcing enough data for public and private entities to assess their often diverse portfolios
- Automating name matching for large underwriting portfolios to ensure they score the correct counterparty
- The need for a robust methodology that captures the dual lens impact of ESG risk so they can defend against greenwashing.
- Assessing ESG risk consistently at the portfolio level and at the point of underwriting.
- Developing and establishing their 'own view' of ESG risk.
- Providing portfolio managers and underwriters with new insight at the point of decision-making to support portfolio construction
- Generating analytics to help understand the relationship between ESG and other factors such as claims and natural catastrophe risk.
- Creating the ability to determine the marginal contribution of new accounts on portfolio performance pre- and post-bind.

Moody's has a history of commitment to the insurance industry and ESG. Over the past 10 years Moody's has invested with intent to integrate best-in-class ESG capabilities to help shape and support insurers' approach to both managing risks and identifying opportunities.

Moody's ESG Insurance Underwriting solution integrates ESG indicators and scores to help P&C insurers operationalize ESG risk assessment in their insurance underwriting workflows.



Identifying the correct insured entity

A key challenge for insurers is around recording accurate insured entity names in their policy admin systems and the prevalence of private and small and medium enterprises (SME) in underwriting portfolios. This makes it challenging for insurers to obtain an ESG score for their entire underwriting portfolio.

Our solution is powered by the Moody's comprehensive corporate entity database which has corporate data on more than 425 million entities globally, both public and private. Our solution benefits from a powerful matching algorithm allowing insurers to quickly identify the correct insured entity against our database, unlocking the appropriate ESG score and datapoints.

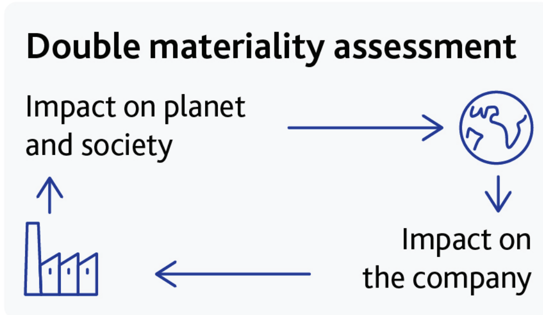
It also has extensive corporate entity ownership data, allowing insurers to identify ultimate parents of an insured entity, giving insurers the ability to choose ESG scores either at a subsidiary or at parent level.

Double materiality: the impact of your insured entity on the planet and society

Double materiality is the cornerstone of our approach. By understanding how risks in the global economy are interconnected, our definition of double materiality includes two types of exposure:

1. Business exposure: the extent to which ESG factors have or are likely to have direct or indirect impacts on a business' strategic assets, activities or financial performance.
2. Stakeholder exposure: the positive or negative impacts that a business has or is likely to have on its stakeholders resulting from its operations, products, services and value chain.

Materiality defines why and how certain issues are important for an insurer. Double materiality extends this concept and considers the impact on environmental and social stakeholders.



Double materiality is important because some issues could translate into financial risks that reduce enterprise value. These issues also constitute business-driven, significant impacts on environmental and social stakeholders that companies should be transparent about.

Avoid portfolio blind spots

Moody's has been a pioneer of ESG data and analysis for more than three decades. Our ESG company scores consider 273 data points, and include monitoring and alerts for ESG risk events. Our corporate entity database, together with our ESG score predictor algorithms, enables us to provide ESG scores and sub-indicators for more than 300 million public and private companies, helping insurers better identify and manage ESG-related risks across their portfolios, whilst remaining underpinned by our robust double materiality approach.

To support additional data collection and ESG disclosure for SMEs, Moody's will provide a short questionnaire to gather the required detail to create an On-Demand ESG Assessment of the SME. Our questionnaires are calibrated specifically for SMEs, keeping the effort required to a minimum while remaining sector-specific. The resulting ESG score will remain underpinned by our double materiality methodology. This will improve insurers' engagement with SME insured entities, encourage transition and provide additional data for risk selection.

Transforming data into actionable insights

Our integrated solution for portfolio managers and underwriters combines public and private company data with a double materiality assessment framework to generate ESG indicators and scores. Analytics derived from these help insurers identify correlations between ESG and other metrics, and to identify the accounts that contribute to portfolio-level ESG performance pre- and post-bind. We provide a centralized mechanism to customize ESG weightings to help you build your own view of ESG risk that can be used consistently across portfolio management and underwriting to help you gain a competitive advantage.

Our solution enables portfolio managers to:

- Set risk appetites, tolerances and compare portfolio performance against your target
- Import portfolios and validate account names to generate scores
- Access weighted portfolio scores with breakdowns by various ESG components
- Drill into each account and understand the breakdown by the environmental, social, and governance components of the score
- Identify outlier accounts and understand their contribution to the overall portfolio ESG score
- View trends and movements over time of the ESG portfolio-level score to see whether you are going toward or away from your company goal
- Generate correlations between ESG scores and claims, premiums, and natural catastrophe exposures
- Access comparative analytics to compare against specific sectors, locations, and peers
- Build and operationalize a custom view of ESG risk and ensure that the same custom view is being used for portfolio management purposes as well as at the point of underwriting
- Build multiple views of custom ESG scores to help calibrate the right score for various stakeholder needs

» Support underwriters with marginal impact analytics for improved decision-making

Our solution enables underwriters to:

» Access reference and customized ESG scores and breakdowns for new and renewed accounts for a more consistent approach to ESG analytics

» Offer new and differentiating value to your customers through access to detailed information that can explain your company's risk selection process

» Understand trends and movements for a specific insured entity

» Use our intuitive dashboard to help target areas for concern or opportunities for growth

Moody's award-winning solutions combine data, analytics, and technology to help organizations make better, faster decisions.