

Climate Risk Management

United Ajod Insurance Limited (UAIL)

Risk Governance

UAIL manages climate-related risks under the oversight of the Risk Management and Financial Solvency Committee supported by relevant committees. As required a designated Climate Risk Officer shall be responsible for coordinating climate risk efforts at the company, reporting to the management and the Risk management committee. Implementation is the responsibility of all department heads, province heads, and branch managers across the company.

Risk Identification and Assessment

Climate risks shall be identified at the operational level and assessed using scenario analysis and stress testing. UAIL shall classify these risks as:

- Physical risks (e.g. floods, landslides, storms)
- Transition risks (e.g. regulatory and policy changes)
- Liability risks (e.g. legal exposures from climate-related failures)

Risk assessments shall be tailored to Nepal's climate vulnerabilities, and underwriting manuals shall be updated to reflect these insights, particularly in high-risk lines like property, motor, agriculture etc.

Risk Measurement

Climate risk shall be measured in terms of potential financial impact, including increased claims, rising costs, and strategic exposure. UAIL shall use an existing underwriting risk matrix approach alongside capital impact analysis and qualitative reporting to understand and manage the effects on business performance. The process shall be evolved per industry practice and regulatory requirements.

Risk Monitoring and Reporting

All climate-related exposures and risk responses shall be regularly monitored and reported to senior management. Future metrics include carbon emissions, climate-linked claim trends, paper and energy usage, and regulatory compliance indicators. These shall be compiled through internal dashboards and departmental reporting via the Climate Risk Officer.

Risk Mitigation and Operational Response

UAIL shall take practical steps to reduce its exposure to climate-related risks:

- Maintaining reinsurance protection for major climate-related catastrophes
- Conducting annual reinsurance optimization reviews
- Reducing paper usage through digital systems

- Encouraging staff to adopt electric vehicles through incentives
- Targeting a reduction in waste and reduction in paper.

Client Awareness and Support

UAIL shall support its clients with advice to help manage their own climate risks. Clients are encouraged to review their policies, adopt resilient infrastructure, and consider appropriate insurance strategies, such as consideration of contingent business interruption and possibly in future: - parametric coverage.

Insurance Product Development

New products shall be developed in future to respond to growing climate exposure for quicker payouts. Premium discounts or product features may be offered to clients adopting environmentally sustainable practices.

Conclusion

UAIL's Climate Risk Policy reflects a long-term commitment to building climate resilience. By integrating risk into underwriting, operations, and product design, and by supporting both internal systems and clients, the company aims to remain prepared, responsive, and aligned with national regulatory expectations and sustainability goals. The Climate Risk policy shall be reviewed annually or as required by changes in climate trends or regulatory guidelines.