Climate Risk Survey Response - 2023

Governance

1. Disclose the insurer's governance around climate-related risks and opportunities.

In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:

- Identify and include any publicly stated goals on climate-related risks and opportunities.

- Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

- Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

Response to Governance

Government Personnel Mutual Life Insurance Company (GPM) has deployed a formal Enterprise Risk Management (ERM) program that identifies key risks to the corporation, develops and maintains mitigation strategies to address those risks and sets up metrics and measurements to track progress toward removing/reducing the significance of each risk. Within its ERM program, GPM has developed a plan to address Environmental, Social and Governance (ESG) risks. Climate-related risks are addressed within the ESG Plan. When feasible, GPM intends to pursue projects which are positive to the environment and contribute to improved net earnings for GPM.

Responsibility for GPM's ERM program is controlled by an ERM Committee, comprised of the company's key management personnel. This Committee meets monthly to review progress, identify new risks and consider recommended mitigation measures. On a quarterly basis, a formal ERM Program Report is made to the company's Board of Directors. Ultimate responsibility for GPM's ERM program, and specifically climate-related risks, falls under the company's Board of Directors.

Strategy

2. Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.

In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:

• Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency.

• Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.

A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.

In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:

• Define short, medium, and long-term, if different than 1-5years as short term, 5-10years as medium term, and 10-30years as long term.

B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.

In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:

• Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.

• Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

Response to Strategy

Within GPM's ERM Plan we have identified several climate-related risks, along with developing mitigation activities for each:

- Risk: extreme weather, weather pattern changes, and other natural hazards can lead to disruption of GPM work, loss of employee productivity and potential sales. In addition, these catastrophes could lead to losses in bond, mortgage loan and real estate assets.
- Mitigation:
    - Commercial loan underwriting process. GPM maintains strong underwriting of the commercial loans which are reviewed by the Investment Committee. In the underwriting process, GPM considers the location and possible weather-related risks as a major factor in whether to make the loan. As weather related events become more frequent, GPM will increase its focus on location and the possible environmental impact of hurricanes, tornadoes, floods and extreme heat or cold. GPM will also consider the likelihood of the continued availability of property insurance coverage if risks increase.
    - GPM has an established corporate investment policy. GPM's purchase of bonds are reviewed with consideration of ESG issues. Purchase will ultimately be made within the conservative risk/reward goals of GPM Life. GPM's ultimate goal in making any bond or stock investment will be for the safety and security of its policyholders.

    - Emergency notification system. The company maintains software which supports contacting employees through text messages if there is a need to keep employees informed during any emergency.
    - Enhanced business continuity/disaster recovery plan. Complete Business Continuity/Disaster Recovery Plans have been documented for all departments.
    - Extreme weather mitigation at Port Aransas properties. GPM's properties in Port Aransas, TX, have been updated with extreme weather protection (all doors and windows now hurricane strength). All railings on the building were replaced by Condo Association. Engineers have inspected property for issues concerning spalling and racking due to Hurricane Harvey. Other newly constructed properties have been purchased with up-to-date extreme weather protection measures.
    - Remote employee provisions. Most company employees have been equipped to work remotely as part of disaster recovery and have managers have been instructed to test the remote work capabilities of their employees once or twice a month.
- Risk: Sustainable efforts to reduce GPM's carbon footprint. GPM strives to reduce its carbon footprint in compliance with environmental regulatory laws as well as a desire to be a good corporate neighbor. Environmental issues can include emissions, effluents, waste, as well as material use, energy, water, and biodiversity, any of which can impact the company.
- Mitigation:
    - Recycling efforts. GPM Life's home office recycles paper, cans, and plastic bottles. Employees are encouraged to recycle. There are recycling boxes for paper in each office area including a secure box for confidential documents. There is a container for both plastic bottle and aluminum can recycling in the home office break/lunch room.
    - Remote employee provisions. Most company employees have been equipped to work remotely as part of disaster recovery.
    - Solar cells. GPM completed the process of adding solar cells to the roof of the home office building and carport covers to reduce the company's carbon footprint in early 2024. This installation will significantly reduce the electricity the company uses from our public utility. As part of the solar cell installation, charging stations for electric cars are being included which will use the solar cells. The addition of the charging stations for electric cars at its home office will reduce the company's carbon footprint by facilitating the use of electric cars by some employees. GPM has begun to see a decrease in its energy costs in 2024 as a result of this installation.
    - Landscaping: GPM replaced its landscaping with native plants that are more drought tolerant and freeze resistant in 2024. At the same time GPM updated its sprinkler system and reduced the number of sprinkler heads from 19 to 9. This will reduce the amount of water being used. The landscape changes included use of rock and artificial turf which will further reduce water use and maintenance needs, reducing the need for mowing.

Risk Management

3. Disclose how the insurer identifies, assesses, and manages climate-related risks.

In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

• Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.

• Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.

• Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.

A. Describe the insurers' processes for identifying and assessing climate-related risks.

In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:

• Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.

B. Describe the insurer's processes for managing climate-related risks.

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.

In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

• Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.

• Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.

• Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

Response to Risk Management

In considering life insurance risks, GPM does not employ climate related risks for pricing and/or underwriting. Such considerations are typically the realm of P&C underwriting and pricing, not life insurance. GPM's geographical concentration of insured lives is equally distributed across its operational territory, and as such, not generally thought to be disproportionately subject to climate-related loss.

GPM also does not take any steps to encourage policyholders to manage their own potential physical climate related risks. Again, this is typically undertaken by P&C carriers and not life insurers.

Climate-related risks are considered by the company in its underwriting of mortgage loans by considering location and proximity to coastal areas, flood areas or other damage related sites. Appropriate additional insurance is required if a higher risk is present. For longer term investments in areas such as Las Vegas and Phoenix, the company evaluates risks of water availability and the impact that might have on property values underlying the mortgage loan. For mortgage loans, underlying property values are conservatively evaluated and loan to value ratios are conservative. Loan to value averages were 57.01 from 2018 through 2023.

All bond investments are reviewed at the end of each quarter for credit quality, and whether any bond should be considered "Other Than Temporarily Impaired." During this review bonds are considered for credit quality and if they meet the Written Investment Plans requirement regarding ESG. The formal investment policy includes the following provision related to investments and ESG (which includes climate-related risks):

> "All investments will be made with consideration given to ESG elements. Investments will be made within the conservative risk reward goals of GPM Life."

GPM makes use of Bloomberg and other researchers who are beginning to provide ESG ratings which can be monitored for investment in corporate bonds. In addition, GPM reviews each company's ESG practices (including climate-related risks) prior to making investment in them.

Metrics and Targets

4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

• Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.

A. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.

In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:

• In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions.

B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

Response to Metrics and Targets

Climate-related risks identified in GPM's ERM Plan are monitored routinely by the ERM Committee. Outside of targets used in investment bond purchases, the company maintains no set metrics and/or targets related to climate-change risks.

GPM's ERM Committee meets monthly to identify and discuss newly identified risks. These risks are then made part of the formal ERM Plan and the risks' impact to the company, likelihood of accruing within the next 12 months and overall assurance of mitigation activities are rated. All risks identified are monitored by their owners and by the ERM Committee annually, at a minimum.

The company's Board of Directors receives a quarterly report regarding progress of the ERM program.

In addition, the ERM plan is reviewed by the company's auditors, and by AM Best. Individual states may also review the plan during their routine company examinations.