NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2022

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.

The Company's climate-related disclosure is handled at the entity level. The Company's board of Directors, together with the Audit, Finance and Risk Management Committee of the Board (AFRM) are responsible for oversight of climate-related risks. The Board appointed Amy Basel, CPA, CGMA, as the Director accountable for the Company's assessment and management of the financial risks from climate change. The Board also appointed Jessica Kenworthy, the Company's chief risk officer, as the executive staff member accountable for climate-related risks. Kenworthy is responsible for assessing and reporting to the board on climate-related risks, and for embedding climate risks into the Company's risk management framework. Basel is accountable for ensuring timely reporting to both the Board and AFRM Committee on said risks and for ensuring the current and forward- looking impact of climate related factors are considered when making business decisions.

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 1-5 years as short term, 5-10 years as medium term, and 10-30 years 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.

Effective Risk Management' is one of the Company's strategic plan initiatives which includes the continued development of a formal ESG program that includes climate risk management. As part of this process, the Chief Risk Officer works with the identified risk owners (i.e. those responsible for the oversight of climate risk as it pertains to their functional areas) to incorporate ongoing assessment and quantification of climate risks affecting the Company. The Company incorporates into its assessment of strategic initiatives the identification of opportunities to reduce and/or mitigate green gas emissions stemming from the Company's operations. The Company has already taken steps to reduce emissions by converting to a significantly remote work environment and promoting use of electronic materials where possible to reduce paper use and printing, including recently migrating all group customers from paper to electronic invoices and brokers to electronic statements. Note that the Company offers group dental, vision, life, and disability and individual dental and vision insurance products and services, which do not carry an inherently material level of climate-related insurance risk.

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.

The Company's ERM program serves as the foundation for ensuring all known and emerging risks are periodically assessed and that appropriate action plans are in place to manage those risks, including climate-related risks. The ERM process is an ongoing cycle that involves several key principles: (a) identifying the risks; (b) assessing, analyzing, and quantifying the risks; (c) creating controls to mitigate the risk; (d) reporting risks to committees, executive leadership and the board; and (e) monitoring the risk and the controls.

As part of the overall ERM program, the Company assesses and monitors each of the following potential climate-related exposures, which have been deemed most relevant to the Company's risk profile:

a) Climate-related events adversely impacting Company assets, operational expenses, or reputational risks ("Operational Risk");
b) Climate events, trends or scenarios adversely impacting insurer's competitive or financial position ("Strategic Risk");
c) Climate risks or perceived risks of credits impact the values or liquidity of current or future investments (Investment & Liquidity Risk");
d) Potential impact of climate change and associated risks on specified customer sectors ("Pricing & Underwriting Risk");
e) Reinsurer's exposure to physical & transition risks ("Credit Risk"); and
f) Litigation risk for failing to adapt to climate change or to avoid/minimize adverse impacts on the environment ("Legal Risk").

The risk assessment process is a continuous interrelated process of annual surveys, interviews, and discussions to identify the risk areas with the highest potential impact on the mission, goals, and objectives of the leader's respective area, as well as the effectiveness of existing internal controls employed to mitigate the risks identified. Surveys are also used to help assess the risks, including climate-related risks, in terms of likelihood (the likelihood of an event occurring) and impact (the significance or impact the occurrence could have on the business' ability to achieve its goals).

Executive leadership, with input from the Board of Directors, identifies risk limits, risk tolerance, and risk appetite. Items including, but not limited to, (1) overall net assets; (2) net income; (3) ability to absorb recurring issues; and (4) impact on strategic plan are used to determine risk limits, tolerance, and appetite. Results are compared against risk limits, appetite, and tolerance.

To ensure risks remain current, the Company utilizes various methods to collect risk and data/information including but not limited to: in-person interviews and workshops, electronic surveys, management meetings, quarterly risk management committee meetings, quarterly compliance committee meetings, quarterly data privacy meetings, and the meetings of the audit committee of the Board of Directors to continuously re-evaluate and assess risks and risk tolerance, as well as to track emerging risks.

- *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.*
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The Company's direct exposure to underwriting risk related to physical climate risks is very limited, as it underwrites only group dental, vision, life and disability and individual dental and vision products. The Company monitors the geographic concentration of groups with potential physical climate risk for its group life and disability blocks. The Company also has limited its exposure to sectors with inherently high levels of transition climate risk (gas, oil, mining, chemicals, etc) in its life and disability blocks, as those sectors comprise less than 5% of the block.

As an additional mitigation, the Company underwrites its business almost entirely on a 1-year contractual basis. Subsequently, the Company addresses potential climate-related risk exposure on 1-year time horizons at each point of renewal or new sale. If the risk environment were to change, the Company would have the opportunity to respond to those changes at least annually.

- *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.*

The Company has a formal process that incorporates consideration of ESG, including climate-related risks, in its investment management process. A Responsible Investing working group was created June 2020 and created the Company's Policy on Responsible Investing. The Company holds an ESG discussion in its weekly Capital Structure meetings and incorporates ESG analysis in its credit review process as well. The analysis is based off of five metrics:

- ISS Quality Score: Company Governance Assessment
- S&P Global Rank: Corporate Sustainability Assessment
- Sustainalytics Rank: Industry Peer Comparison
- Bloomberg Disclosure Score: Disclosed ESG Data
- MSCI Rating: Overall ESG rating (AAA – CCC)

An overall ESG score is determined based on sector specific weighting and rank and the score is utilized in the overall credit score.

The Company's investment portfolio has very little exposure to climate-related counterparty credit risks, as the majority of the Company's invested assets are in cash and cash equivalents and government securities.

- *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.*

See above

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

N/A

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

See above

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.

* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.

Based upon the current assessment of each of the primary risk owners, the Company does not have a material level of exposure to climate-related risks. The Company monitors geographic location of life and disability policies, including any concentration of life and disability policies in areas prone to natural disasters, such as coastal areas. For both the life and disability lines, the Company has limited exposure to specific NAICS codes that inherently have a higher level of potential exposure to climate-related risks, specifically transition risk, and has limited exposure to those sectors to less than 5% of the block.

The Company has a reinsurance agreement in place with RGA, on the excess of retention for both group life and group LTD policies. The reinsurance arrangement is assessed annually for disability and bi-annually for life, whereby the company could terminate the agreement if there were any significant climate-related counterparty with the reinsurance partner