

## 2023 NAIC CLIMATE RISK DISCLOSURE SURVEY

**Holding Company:** Talcott Resolution Life Insurance Company

**Reporting Year:** 2023

**NAIC Company Number:** 88072

**NAIC Group Number:** 4926

### SURVEY QUESTIONS

To provide clear direction for achieving a robust, insurance-sector specific TCFD report, narrative and closed ended questions follow, grouped into the TCFD's four topics: governance, strategy, risk management and metrics and targets.

The statements listed next to numbers and letters are directly taken from the TCFD Framework and should be fully addressed in the insurer's response. As discussed in detail above, insurers should consider including the bulleted items in their response to the TCFD statement above it. For additional guidance on sector specific content to consider including, refer to the Implementation Recommendation Report.

Closed ended questions directly correspond to the narrative, allowing for explanation and qualification of the yes/no answers. Per the notice sent by CID, close-ended questions are voluntary.

#### **Governance – narrative**

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.*

**Talcott Resolution Life Insurance Company Response:** Talcott Resolution Life Insurance Company and its affiliates' ("Talcott Resolution") have treated Environmental, Social, Governance (ESG) issues as a Core Risk to the Company since 2021. In 2023, the Enterprise Risk Governance Working Group (ERGWG), an executive management level Committee, had oversight of all operational risks and provided executive oversight of climate-related risks.

As a Core Risk, ESG related risks were addressed through the ESG Committee, which includes participants from each functional area who were nominated by an executive leader. In 2023, the ESG Committee reported its progress quarterly to the ERGWG. One of the goals of the ESG Committee is to provide insight into climate-related risks, identify needed policies to address all ESG risks including climate-related risks, inform the ERGWG on current actions taken relating to ESG and climate-related risks, and discuss how future ESG and climate-related risks may have the potential to impact Talcott Resolution.

In addition to the oversight provide by the ERGWG, Talcott Resolution's Board of Directors has designated the Chief Risk Officer (CRO) as being responsible for the Board-level oversight of the Company's management of the financial risks from climate change. The Board has also designated the Chief Investment Officer (CIO) as being the senior leader responsible for the management of the financial risks from climate change. Also, Talcott Resolution reports on the actions taken to address climate-related risks in the ESG section of the Company's annual Own Risk Solvency Assessment (ORSA). In addition, the ESG Committee drafted an ESG policy that addresses the financial risks related to climate change which was adopted by Talcott's enterprise Board. These designations, disclosures, and the policy follow the [Connecticut Insurance Department Bulletin FS-44"Guidance for Connecticut Domestic Insurers on Managing the Financial Risks for Climate Change."](#)

## **Strategy – narrative**

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.*

**Talcott Resolution Life Insurance Company Response:** As a life insurance and annuity company, some of the impacts of climate-related risks are not material to the business, strategy, or financial planning of Talcott Resolution Life Insurance Company and its affiliates ("Talcott Resolution"). However, Talcott Resolution is actively working toward reducing the company's environmental impact.

An environmentally focused employee interest group influences a culture of sustainability, educates employees to do the same at work and in their communities, and volunteers on green projects in the local community.

Talcott Resolution has efforts in place to reduce the printed materials received by our policyholders, including offering the opportunity to opt-in to e-Delivery for most documents. Currently, 14% of policyholders are enrolled and a 2023 project is intended to improve the process and to increase enrollment. Following the SEC rules 30e-3 and 498a, Talcott Resolution is reducing the size and volume of shareholder reports and prospectuses. Also, the company is suppressing paper statements in quarters when no financial activity has occurred, suppressing confirmations for each individual systematic transaction to instead list those transactions on a quarterly statement, and suppressing broker copies of most client output. Talcott Resolution also encourages electronic funds transfers (EFTs), in place of receiving paper checks, and recently began to offer digital beneficiary changes in place of paper forms. These efforts save over 138 million pieces of paper annually.

Furthermore, Talcott Resolution considers Environmental, Social, and Governance (ESG) issues, including climate-related risks, as part of its overall credit evaluation of current and potential investments.

The ESG Committee is in the process of identifying current actions taken relating to financial risks related to climate change, as well as future potential actions related to climate-related risk. In compliance with [Connecticut Insurance Department Bulletin FS-44 "Guidance for Connecticut Domestic Insurers on Managing the Financial Risks for Climate Change,"](#) the ESG Committee partnered with the Investment team to conduct an annual climate risk materiality assessment of Talcott's Investment portfolio. In combination with the ESG Committee's qualitative assessment, the ERGWG determined that climate risk is not currently material for Talcott Resolution for 2023.

Talcott Resolution's business is primarily life and annuity products with similar exposure to longevity and mortality risk. Therefore, events resulting from climate change that could impact these core offsetting risks - including extreme weather, natural disasters, wildfires, and even an increased spread of airborne infectious disease - are not considered significant risk exposures for Talcott Resolution.

Talcott Resolution does have a responsibility to employees, policyholders, regulators, and other business counterparties when a business disruption event occurs (or potentially occurs). To ensure potential disaster scenarios do not impair our ability to meet these responsibilities, Talcott Resolution invokes a well-understood and practiced set of business resiliency protocols designed to support our critical business functions until the company is able to resume "business as usual."

Talcott Resolution's primary recovery strategy of its business continuity plans (BCP) is remote access for all employees. In addition, the Talcott Resolution BCPs also contain detailed plans for: loss of facility, loss of staff, loss of critical technology, and loss of critical vendor.

Talcott Resolution does not specifically calculate climate scenarios as part of its strategy. However, Talcott Resolution understands that climate-related risks can lead to potential business resiliency concerns.

### **Risk Management – narrative**

#### *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.

**Talcott Resolution Life Insurance Company Response:** Talcott Resolution Life Insurance Company and its affiliates ("Talcott Resolution") have treated Environmental, Social, Governance (ESG) issues as a Core Risk to the Company since 2021 and an ESG committee was created with executive leaders identifying employee(s) to participate in the committee. In 2023, the ESG committee reported its progress quarterly to the Enterprise Risk Governance Working Group (ERGWG). One of the goals of the committee is to specifically provide additional insight into climate-related risks and how climate-related risks have the potential to impact Talcott Resolution.

The ESG Committee is in the process of identifying current actions taken relating to financial risks related to climate change, as well as future potential actions related to climate-related risk. In compliance with [Connecticut Insurance Department Bulletin FS-44 "Guidance for Connecticut Domestic Insurers on Managing the Financial Risks for Climate Change."](#) the ESG Committee partners with the Investment team to conduct a quarterly climate risk materiality assessment of Talcott's Investment portfolio. In

combination with the ESG Committee's qualitative assessment, the ERGWG determined that climate risk is not material for Talcott Resolution as of December 31, 2023.

As part of Talcott Resolution's enterprise risk management framework, emerging risks like climate-related risks are tracked to understand how these risks can impact Talcott Resolution's capital and surplus. Annually, Talcott Resolution compiles emerging risk data obtained through management discussion groups and industry survey reviews and leads risk committee discussions to prioritize the emerging risks that should be focused on over the coming year. Talcott Resolution identifies top emerging risks based on industry and management responses and potential financial impact to the organization. These top emerging risks are presented to our most senior risk committee and the committee decides if any actions need to be taken.

Talcott Resolution conducts a quarterly climate risk materiality assessment of Talcott's Investment portfolio. In evaluating our investment holdings, we have determined that risks posed by climate change considerations were not material as of December 31, 2023. To mature the materiality assessment, we continually monitor these risks and adjust the portfolio as these risks continue to emerge.

Outside of any risks emerging from our investment portfolio, Talcott Resolution does not have significant exposure to climate-related risks, thus Talcott Resolution's liquidity and capital needs were not impacted by climate change in 2023. In order to monitor Talcott Resolution's liquidity needs, the company ran monthly liquidity stresses to ensure that Talcott Resolution has sufficient cash and liquid assets to fund potential cash needs.

Talcott Resolution's General Account and Separate Account Guaranteed investment portfolios are managed predominantly by third-party investment advisors, with robust oversight by Talcott Resolution's Investment and Enterprise Risk Management departments. Talcott Resolution and its investment advisors share similar views with respect to the many risks, challenges, and opportunities presented by climate change. Talcott Resolution has incorporated, in a repeatable manner, Environmental attributes into the investment analysis and strives to incorporate Social and Governance attributes as the Company matures its materiality assessment to provide a more complete assessment of the risks associated with each investment.

While such ESG attributes are important, they are just some of many factors analyzed when assessing the relative attractiveness of an investment for Talcott Resolution's portfolios. The challenges and opportunities presented by climate-related risks are complex, volatile, and hard to predict. As such, Talcott Resolution strives to ensure that the investment portfolios which support our future policyholder liabilities are prudently managed and highly diversified by asset class, industry, geography, and duration. Talcott Resolution believes this approach to investment management enables us to best navigate the future impact of climate change.

## Metrics and Targets – narrative

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.*

**Talcott Resolution Life Insurance Company Response:** As Talcott Resolution Life Insurance Company and its affiliates is not in the property/casualty or health business, nor did the Company write new life products in 2023, therefore, the company does not believe climate-related risks poses a significant risk to our business.

In compliance with [Connecticut Insurance Department Bulletin FS-44 "Guidance for Connecticut Domestic Insurers on Managing the Financial Risks for Climate Change,"](#) Talcott Resolution's Investment team conducted an annual climate risk materiality assessment of Talcott's Investment portfolio. In combination with a qualitative assessment, it was determined that climate change did not pose a financial risk nor was its material for Talcott Resolution in 2023.

Talcott Resolution Life Insurance Company does not currently use computer modeling to manage climate-related risk.

Talcott Resolution Life Insurance Company currently does not calculate Scope 1, 2, or 3 emissions nor do we measure climate-related risks and opportunities and performance against targets.