# NAIC Climate Risk Disclosure Survey – Reporting year 2023

Ameritas Life Insurance Corp. and Ameritas Life Insurance Corp. of New York
Due August 30, 2024

## GOVERNANCE

1. **Disclose the insurer's governance around climate-related risks and opportunities.**
   In disclosing, 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, 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.

Climate risks and opportunities are managed within the context of Environmental, Social, and Governance ('ESG') which is part of the our existing Enterprise Risk Management ('ERM') framework. Climate-related risks are managed at the entity level. The Audit and Risk Committee of the Board is responsible for oversight of our management of climate-related financial risks.

The Audit and Risk Committee of the Board of Directors provides oversight for the risk management function, reviews key enterprise risk reports and issues, and approves the ERM Committee Charter. The ERM Committee then establishes the risk appetite and tolerances for the enterprise, evaluates and drives action on key risk issues that affect the enterprise, and discusses emerging and strategic risks. This committee also provides overall vision for the risk direction for the organization.

The implementation of these activities is conducted by our ESG working group. The ESG working group is comprised of the ESG champion, the SVP of Risk and Compliance, the ERM manager, and representatives from various business lines and shared services areas where ESG is material to clients, regulators, and other key stakeholders. This working group supports and drives the integration of corporate level ESG strategy throughout the business functions. Members of the working group guide the execution of Enterprise ESG strategy, which embeds an ESG lens into business functions to facilitate the company's responsible and sustainable operations, to promote the company's positive ESG reputation and foster leadership in ESG.

Management is responsible for day-to-day operations as well as developing and monitoring policies, procedures, and controls, as well as identifying, assessing, and mitigating related business risks.

Our public facing website contains a page regarding our commitment to community impact and community wellness. One of the factors specifically called out is regarding sustainability. As stated on the website: "We're committed to protecting the valuable resources in our care and growing them responsibly. We support similar efforts in the community. As a mutual-based organization that takes the long view, we bring experience to the quest for sustainability."

## 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, 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, 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, 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.

In the Company's ESG Investment Policy Statement, we recognize climate change as a material risk management issue facing the insurance industry. As a life insurer we recognize a major component of our overall climate risk comes from our investment portfolios. We pursue an investment strategy based on ESG integration. Consideration is given to financially-material ESG risks and opportunities when evaluating portfolios and individual investments. ESG integration is an evolving practice, and the quality of climate disclosure is maturing over time. Therefore, we view our policy statement as a living document which is to be reviewed annually by the Finance Committee for any necessary updates or modifications. We monitor climate risk-related developments from organizations including state regulators, the SEC, NAIC, and the Federal Insurance Office (FIO) as well as working closely with industry groups, such as the ACLI, to stay abreast of issues impacting our industry. At this time, we do not provide products or services specifically geared to support the transition to a low carbon economy.

Although physical risk factors may be more significant for P&C companies in general, life insurers may have areas of impact as well. From a life insurance policy perspective, any physical risk from climate would be considered in the larger context of Mortality and Morbidity risks. On the investment side, our commercial mortgage and real estate areas are currently creating analysis and modeling to better predict impacts on those portfolios form physical climate risks. This is true for short, medium, and long-term risks.

Our primary exposure to flood, hurricanes, and fire comes through our commercial mortgage and real estate portfolios. In these portfolios, many of the properties are inland at least a mile and are covered by insurance. For the commercial mortgage portfolio, the company has operational policies that require windstorm, earthquake, and flood insurance where appropriate, as well as a process to track and verify that these coverages are maintained. This should provide protection in the event of a 2 degree Celsius or lower scenario. The commercial mortgage contracts also allow for the flexibility to require certain coverages as new risks (such as changes to the flood zone maps) necessitate additional coverage.

From a life insurance perspective, the significant area of transition risk lies in the Company's investment portfolio. We consider the potential impact of climate risk on an investment company's social license to operate, financial statements, and cost of capital. The investment area continues to evaluate third party sustainability data providers with a particular focus on greenhouse gas emissions data quality and completeness.

## RISK MANAGEMENT

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

In disclosing, 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, 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, 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 is considering both operational and financial aspects of the physical, transition, and other risks of climate change to our business. Acute and chronic physical risks may impact mortality and morbidity for our life & annuity products, supplemental health, and disability insurance lines. Increasing frequency and severity of weather events are likely to impact our real estate holdings, as well as the company's broad base of customers - including retirement plan sponsors, group benefit plan sponsors, participants, and policyholders. Moving to a low carbon economy, while not as direct, is likely to be disruptive. This includes strategic and opportunity risk that may impact our competitive position and financial condition. There are potential operational risks such as regulatory requirements and reputational risks that may impact our associate and client relationships, sales, and persistency. Among climate-related financial risks are credit, liquidity, and market risks that affect our assets. While the company has not identified specific geographical exposures to date, this is something we will dig into more deeply as we seek to address the various climate-related risks touched on above.

The investment team recognizes the long-term risk posed by climate change. Climate risks are evaluated as part of the comprehensive analysis performed on each investment. Accordingly, this portion of the risk review is ongoing. Data from third-party research providers, including Nationally Recognized Statistical Rating Organizations (NRSRO), allow our internal investment managers to assess and appropriately price risks associated with climate and other ESG factors. Seventy percent of general account assets are public, and as such, are subject to evaluation and rating by an NRSRO. Many the Company's private securities receive a similar evaluation and rating from the National Association of Insurance Commissioners (NAIC). Ratings provided by the agencies incorporate ESG risk, including climate transition risk, and ultimately dictate the necessary capital reserve for each investment. Furthermore, most the Company's external managers have sustainable procedures in place which are used to assess climate risk and frame investment decisions.

Stress testing and scenario analysis, among other approaches, are used to ascertain financial impact and probability of risks, including climate change. We utilize stress testing and scenario analysis for risk management and to inform our business, financial, and strategic planning activities. New climate specific stress testing and scenario analysis continue to be developed. The analysis includes "stacking" stress scenarios including Equity, Credit, Mortality, and morbidity.

All risks are identified and assessed through our ERM program and the framework that governs this program. Quarterly identification and escalation reporting on financial and operational risks is conducted across our business lines using our taxonomy of key risk categories. Among them, climate change impacts Economic Environment and Investment risks, as well as Strategic, Reputation, Business Continuity, and Regulatory/Legal/Compliance risks. The risks identified quarterly are assessed within VP-level working groups, an executive-level Enterprise Risk Management Committee, as well as the Audit and Risk Committee of the Board. There are additional committees that are part of ERM governance that consider new product offerings, asset and liability management, and other risks impacted by climate change. In addition to quarterly reports and meeting discussions, coordinators in each business unit identify and catalog risks in a Risk & Control Inventory and conduct an update and assessment of their likelihood and severity annually and as material changes occur.

In the Company's ESG Investment Policy Statement, we recognize climate change as a material risk management issue facing the insurance industry. We pursue an investment strategy based on ESG integration. Consideration is given to financially-material ESG risks and opportunities when evaluating portfolios and individual investments. ESG integration is an evolving practice, and the quality of climate disclosure is maturing over time. Therefore, we view our policy statement as a living document which is to be reviewed annually by the Finance Committee for any necessary updates or modifications. We monitor climate risk-related developments from organizations including state regulators, the SEC, NAIC, and the Federal Insurance Office (FIO) as well as working closely with industry groups, such as the ACLI, to stay abreast of issues impacting our industry.

## 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, 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, 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.

The Company views climate risk under the broader umbrella of Environmental, Social and Governance framework (ESG). The company is developing more rigor around climate risks as it has added an ESG working group into its ERM structure to address climate risks and the impact of those risks to the Company. The work has been centered around the impact to the Company's investments related to physical and transition risk. The company has an ESG Investment Policy in place. The Commercial Mortgage and Real Estate areas are currently pursuing analysis and modeling to better predict impacts on those portfolios from physical climate risks. The investment area is also evaluating the use of scores calculated by outside sustainability data providers to manage Company's potential exposure to stranded assets (Transition risk). Stress testing and scenario analysis, among other approaches, are also being created to ascertain financial impact and probability of risks, including climate change. We intend to utilize stress testing and scenario analysis for risk management and to inform our business, financial and strategic planning activities.

We have not yet begun calculating Scope 1, Scope 2 and Scope 3 GHG emissions, but are planning on doing so in order to achieve compliance with California Senate Bill 253.

We do stochastic and deterministic scenario modeling as part of our annual ORSA report. This work will help us determine and prioritize risk management techniques. For investments, the company is considering using time-bound targets, disclosed metrics, and underwriting targets.