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TO: State of California

FROM: Assurity Life Insurance Company

DATE: November 28, 2022

RE: 2022 NAIC Climate Survey

Assurity is a mutual life, annuity, and supplemental health insurer located in Lincoln, Nebraska serving the middle income market with protection focused products. The understanding and assessment of climate risks and opportunities is made through this lens. Assurity has taken steps to ensure the identification and evaluation of such risks and opportunities are included in the organization's governance structure and strategy process. Though we deem climate risks and opportunities to be immaterial over the short-term, we understand the evaluation of these risks and opportunities, as well as our capabilities, in assessing climate risks and opportunities, will continue to develop over the coming years.

Governance

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

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

- Assurity's Board of Directors oversees implementation and management of our Enterprise Risk Management (ERM) program, which includes climate related risks and opportunities. The Board of Directors has tasked Assurity's Audit Committee with the direct oversight of the ERM program.
- ERM, in some manner, is an agenda topic at each Audit Committee meeting.
- To enhance the Board's understanding and supervision of Assurity's risk management process, including climate-related risks and opportunities, the Audit Committee reviews ERM reporting at each meeting and reports its findings to the Board of Directors.
- Assurity's ERM program consists of multiple programs, policies, and systems that fall under the larger umbrella of ERM. Sustainability, as one of Assurity's stated values, is demonstrated through multiple initiatives of a Sustainability Task Force.
- Assurity's Sustainability Task Force is an internal body that works to identify and implement climate friendly opportunities, policies, and programs that align with our stated value of sustainability.

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

- Climate related risks and opportunities are included as part of Assurity's ERM program, which is headed by the Chief Risk Officer, currently Assurity's Chief Financial Officer (CFO).
- The CFO is one member of Assurity's Strategic Leadership Team (SLT). The SLT is the executive leadership team of Assurity, including the President and Chief Executive Officer (CEO).

- The CEO and CFO are participants in the Audit Committee meetings, leading the ERM agenda topic discussion.
- Responsibility for setting and executing near term and long-term strategy rests with the SLT.
- The Investment and Finance Committee of the Board, and an internal management Investment Committee are responsible for the oversight of the invested asset portfolio and the asset-liability management program.
- The Chief Investment Officer, a member of the SLT, is responsible for the management of the invested asset portfolio and the asset-liability management program.
- The Chief Investment Officer, the CEO, and CFO are participants in the Board Investment Committee meetings. The Chief Investment Officer leads the internal management Investment Committee meetings.
- The internal Interest Rate Committee is responsible for the setting and review of insurance product interest rates. Invested asset portfolio performance is one of many considerations for this committee.
- Assurity's Sustainability Task Force is an internal body that works to identify and implement climate friendly opportunities, policies, and programs that align with our stated value of sustainability.
- Climate related risks and opportunities are included as part of the overall scope of the committees previously mentioned.
- Climate related risks and opportunities identified by these committees are assessed and elevated as appropriate in adherence with the ERM program.
- Assurity management's role in ERM extends beyond formal committee participation. Risk identification and assessment is a part of each managers role. Climate related risks are part of the larger population of potential risks.

Strategy

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

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

- Assurity identifies existing and emerging risks (short, medium, and long term) through a variety of processes, both formal and informal as ERM is an ongoing, year-round process. The ERM program includes a formal risk assessment process where we ask all managers to identify and rank risks. The population of risks include climate related risks.
- Results of the risk assessment process are accumulated and reviewed by the SLT, with formal presentation of top risks to the Board of Directors.
- Risks and opportunities are discussed by the SLT on a regular basis, spanning the length of the time horizon. Risk and opportunity discussions are particularly focused during annual and quarterly planning meetings.
- Assurity's sole physical location is subject to harm, potentially disrupting operations, due to climate related severe weather.

- Assurity continues to evaluate its invested asset portfolio for climate related risks spanning various time horizons. The evaluation of the invested asset portfolio is performed from the perspective of transition risks and acute physical risks. Each issuer of financial instruments included in the invested asset portfolio has its own set of unique facts that contribute to the potential of a financial impact to Assurity. We believe the realization of climate risk affecting instruments owned by Assurity will occur over the long term. However, the identification of these risks and the potential magnitude of the impact are not fully known.
 - Assurity's investment portfolio is composed primarily of bonds and commercial mortgage loans. For many years, Assurity has not invested in companies which primarily earn revenue from coal production. Assurity does invest in investment grade bonds backed by companies which produce natural gas, oil, and other fossil fuels which are in global demand. Various industry estimates, including the International Energy Agency (IEA), show global demand for oil will peak around 2040, which will allow the companies backing Assurity portfolio bonds to provide vital services and products to assist the global energy transition which is expected to occur over the next few decades. The need for energy independence and a bridge to the future renewable energy sources are of critical importance in today's energy environment. Additionally, Assurity actively purchases bonds backing various renewable energy projects including such investments as: debt of a wind generation project in Texas and Oklahoma, the debt securities of Iceland's largest electricity generator with 100% renewable power, and debt securities of a New Zealand utility with 100% renewable power with both hydro and wind assets.
 - Assurity's mortgage portfolio is well diversified geographically with the highest state concentrations of Michigan at 11.1% and California at 10.7% of the portfolio. None of Assurity's top ten MSAs are cities on a coast which would be directly affected by sea level rise. Insurance certificates from borrowing entities are reviewed on an annual basis to confirm insurance coverage is in place for assets serving as Assurity collateral.
 - During the investment evaluation process, we are actively exploring opportunities for both enhanced return and reduced likelihood of stranded assets.
- In the short term, Assurity has mitigated the climate impact of our physical office space due to multiple factors highlighted below.
 - Assurity's campus was purposefully developed with sustainability as a principal criterion. The home office property includes a LEED Gold certified building built to reduce our carbon footprint.
 - During 2021, Assurity diverted 65% of all home office waste from a landfill destination.
 - Assurity captures and stores storm water run-off for irrigation use at its home office.
 - Assurity worked with our electricity provider to ensure that 100% of the electricity used in our facility is from renewable sources therefore cutting the greenhouse gas emissions derived from our electricity usage to zero.
- Assurity invested \$10.8 million in solar energy tax credits since the beginning of 2020.

- Economic disruption caused by climate change or the transition away from a carbon-based environment could cause hardships where policyholder premium payments are in doubt.

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

- Climate risks are included in our population of risks that we consider when refining our business continuity plan.
- Quarterly updates are made to the business continuity and disaster recovery plans. New and emerging risks are considered during the update process.
- Assurity continues to enhance the sustainability of our home office by reducing our carbon footprint and greenhouse gas emissions. These efforts build on a facility rated as LEED Gold.
- When performing scenario testing as part of our annual planning and regulatory filings, we stress our block of business. While these scenarios do not specifically include climate related events, they do include stress scenarios that could be similar to the economic disruption caused by climate change.

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

- At this time, Assurity does not perform climate specific related scenario analysis on either the invested asset portfolio or product liability portfolio.

Risk Management

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

A) Describe the insurer's processes for identifying and assessing climate-related risks.

- Management and the SLT identify top risks and emerging risks each year as part of a company-wide risk assessment process.
- Company-wide risk assessment results are compiled for review by management members and ultimately the SLT.
- Risk population listing includes specific climate related risks.
- Management group participates in a wide variety of trade associations and specialty working groups to better understand current trends and emerging risks.
- Company is actively involved in innovation activities, including close involvement with many insurtech companies.
- SLT and other management personnel actively engage in relationships with almost all of the significant reinsurers on a variety of topics.

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

- Identified risks are included in our population of risks, which would include climate related risks
- Population of risks are evaluated by the Management group and SLT to understand potential likeliness and magnitude.

- Additional evaluation, both qualitative and quantitative is performed and documented as necessary to aid in the understanding of the risk. This would include additional research and discussions with third party experts.
- Top risks are identified and summarized by SLT.
- Risk management plans are developed for the top risks and communicated to the management group and the Board of Directors.

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

- Climate related risks are identified and evaluated in conjunction with all other potential risks.
- If various climate related risks develop into material risks, no matter the category or type, they will be evaluated, assessed, and managed as other risks.
- Risk management plans will be developed as climate related risks develop.

Metrics and Targets

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

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

- Climate related risks and opportunities are evaluated using the same qualitative and quantitative metrics as other risks if they are perceived to have a likely chance of being material.
- At this time, Assurity does not believe climate related risks are material where they warrant quantitative modeling specific to either the asset or liability portfolio.

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

- Assurity's Scope 1 GHG emissions consist of emissions from the burning of natural gas at the Assurity home office. The annual GHG gas emissions for 2019-2021 are estimated to range from 189.74 metric tons to 233.9 metric tons.
- Assurity's Scope 2 GHG emissions consist of indirect emissions from the generation of purchased power from our electric and natural gas utility provider and are estimated to be 1,300 metric tons of CO₂ in 2021. Starting in the 2nd half of 2022 and beyond, due to the renewable energy sourcing for Assurity electricity, the annual CO₂ emission related to electricity will drop to zero.
- Assurity has not estimated Scope 3 GHG emissions.

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

- At this time, Assurity does not have any targets specific to climate risks and opportunities.