NAIC CLIMATE RISK DISCLOSURE SURVEY TCFD-ALIGNED QUESTIONS UPDATED 2022

GOVERNANCE

1. *Disclose the insurer's governance around climate-related risks and opportunities.*
   - Southern Farm Bureau Life Insurance Company ("SFBLI", or "the company") offers life insurance in 11 states and does not view climate-related risks as having a direct impact on its operations. As such, it does not currently have employees specifically dedicated to analysis of climate-related risks. However, the company does recognize the secondary effect that storm severity, carbon-related economics, environmental issues, and regulation can have on its operation, and relies on various risk-focused committees and departments to address potential impacts. Functional groups include the Investment Committee, Product Committee, Reinsurance Committee, Strategic Management Office, and Vendor Management Office. Each is tasked with identifying and managing all risks within their areas, including climate-related factors. Committees and departments regularly update senior management and the ERM Committee as appropriate on their activity.

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.
   - The company does not currently have a publicly stated goal related to climate risk.

• 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.
   - The company is a closely-held entity that is not part of a larger control group. Climate-related disclosures, if any, would be specific to the life insurance operations at the home office. However, the company does not issue public debt or equity, does not issue mainstream (ie. public) annual filings, and has no climate-related disclosures.

A. *Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.*
   - The company's ERM Committee is responsible for oversight of all financial, operational, and strategic risks faced by the company. The committee is comprised of officers and senior officers representing all areas of company operation, including legal, marketing, investments, actuarial, technology, and data analytics. The ERM Committee reports annually to the Audit Committee of the Board on the company's solvency assessment and all risk related activity. In the reporting, there is no special attention to climate-related risk as the ERM Committee has not rated climate or environmental risks as "high impact".

B. *Describe management's role in assessing and managing climate-related risks and opportunities.*
   - Company management is responsible for identifying and assessing any risks that could affect insurance operations, including those related to climate change. Please see item 1 above for a partial list of risk-focused groups that assess all risk within their areas. A primary goal of risk-management activity is maintaining the company's robust surplus position and thereby the ability to follow through on the financial commitment to the company's life insurance policyholders.

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.*
   - As a regional life insurance provider, the company believes the most immediate impacts related to climate-related risks will be on its investment portfolio and its ability to sell life insurance. These risks are addressed directly in the company's strategy, risk appetite, and annual planning. Please see 2.A below for additional description of the scenarios utilized in the annual ORSA (Own Risk Solvency Assessment) reporting. The modeled financial impact of each is disclosed as part of the ORSA report that was submitted to the Mississippi Department of Insurance.

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. *

- The company actively engages with and supports the various Farm Bureau organizations in the states where it provides insurance. The Farm Bureau organizations in every state have a long-standing interest in preserving the environment and the sustainability of farms and farming communities.

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

- The company has no current plan to fully assess greenhouse gas emission in its operation. The company operates out of a single building in Jackson, MS, while its agency force is dispersed across 11 states. The company provides life insurance to approximately 1 million policyholders and does not believe its operation generates greenhouse gases in excess of other similarly-situated businesses.

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.

- As part of its risk review, the ERM Committee has identified several insurance-related risks that could stem from climate change. The effect of each scenario on surplus and income is modeled annually as part of the company's ORSA (Own Risk Solvency Assessment). Scenarios are not climate-risk specific, but rather focus on the outcome that environmental changes (among others) might have on company operations and financials. The projection period is 40 years, but the effect of some risks is reflected immediately. Scenarios include :
  - Short-term : a 1-year pandemic mortality event. One version of this scenario is a disease that flourishes and spreads rapidly during a period of increased global temperatures, and causes a significant increase in life insurance claims. The company has partially mitigated this financial risk through reinsurance agreements on its life insurance products.
  - Short-term : a significant decline in sales over a 1-to-3 year period. One version of this scenario is an increase in the number and severity of weather-related property claims that consumes time and energy in the company's distribution

channel that is otherwise spent on life insurance activity. The company uses a multi-line agency force of independent contractors, and the company accepts this strategic risk.

- Long-term : higher than expected mortality experience. One version of this scenario is higher global temperatures that result in additional cases of heat stroke, cardiac events, respiratory issues, and other heat-related mortality. The company has partially mitigated this financial risk through regular analysis of mortality trends and through reinsurance agreements on its life insurance products.
- Long-term : expense growth. One version of this scenario is higher-than-expected expense inflation related to regulatory compliance, wage growth, or other factors that are directly or indirectly caused by changing climate conditions. The company regularly monitors its expense trends, but largely accepts this financial risk.
- Short and long-term : low or volatile investment returns. These scenarios include severe short-term losses to the equity portfolio, short-term shocks to the default rate in the fixed income portfolio, and long-term changes in the interest rate environment. While the scenarios are not climate-risk specific, the impacts reflect some of the possible effects of climate changes. The company attempts to avoid these risks by actively managing its investment portfolio. See additional commentary in 2.B below.

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

➢ Please see 2.A above for description of climate-related risks.

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.

➢ The company provides life insurance to approximately 1 million policyholders across 11 states, thereby helping customers that might be financially impacted by climate-related mortality risks. The company provides financial security across all mortality causes and does not focus its services on climate-related risks.

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

➢ The company is mindful of the environmental risk exposure in its investment portfolio. The overall investing objective is markets and companies that provide long-term viability and the best expected return subject to risk constraints, including environmental, social, and governance factors. Currently, the company feels that most valuations already reflect these risks for industries with high carbon emissions that may suffer from asset risk, regulatory risk, or consumption risk. While the company currently holds investments in these industries, it is generally not reinvesting in these segments as the holdings mature. In addition, the limited partnership portfolio is no longer focusing on energy specific funds.

For commercial real estate holdings with exposure to coastal weather, the company requires insurance coverage, including loss-of-rent insurance, and spreads exposure across geography to avoid physical concentration risk.

The company's Investment Policy provides guidance and limits on exposure by asset type, rating, holder, and industry.

The company believes these common-sense measures align with the current economic and investment environment and the general trend in the insurance industry toward environmentally conscious investing. However, the company's primary investment focus will always be long-term fiscal stability that supports the financial security to its policyholders.

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

➢ The company's primary risk metric is a strong surplus position, with a stated goal of maintaining an A+ financial rating from AM Best. The ORSA process provides an annual evaluation of adjusted surplus in relation to the various identified risks, with a risk metric of less than a 5% probability of a 30% drop in adjusted surplus. Identified risks include those listed in 2.A above, as well as other financial and operational factors. The company met the metric in the 2023 ORSA evaluation.

  In particular, the second item described in 2.A (a sharp drop in sales over 1-to-3 years) is the scenario the company believes is most directly tied to climate and environmental risks. Company income and surplus remain steady even in the scenario of a 30% drop in sales for a given calendar year.

  The company's RBC ratio for 2023 is 665%.

  In addition, the company maintains other programs to provide financial and operation continuity, including :

  - access to additional liquidity through participation in the FHLB
  - a robust work-from-home network established during the COVID-19 pandemic
  - a large-scale generator and on-site water tank to maintain IT processes at the home office in the case of public utility interruptions
  - an off-site business continuity facility for use in situations where the home office building is unavailable

RISK MANAGEMENT

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

➢ Please see the section on Governance above.

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. *

➢ The company provides life insurance to residents of 11 states and monitors its mortality, lapse, and expense experience annually. Claims experience across all causes is reviewed monthly. The company believes the effect of transition risks (such as customer preference, regulatory compliance, and new carbon-related markets, as they relate to climate risk) will emerge over time and will be reflected in regular analysis of sales and persistency. Physical risks (such as storm-related mortality) will similarly emerge in the company's mortality analysis. Short-term, acute mortality is addressed by maintaining a healthy level of surplus.

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

- At this time, the company does not directly engage its life insurance policyholders on issues related to climate risk.

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

- Please see Section 2.B above.

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

- Please see the section on Governance above, and the list of identified risk scenarios in section 2.A above.

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. *

- The company's ERM Committee has oversight responsibility in identifying and evaluating risk, including climate-related risks. The committee meets at least twice annually to discuss areas of risk exposure, receive reports on risk management activity in critical areas, and review and approve corporate governance policies. In particular, the committee receives and reviews the results of the annual ORSA evaluation, which includes scenario analysis across multiple risk sources and an assessment of the impact on income and surplus. Several scenarios, as described in Section 2.A, reflect the potential impact of climate and environmental risks.

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

- The company's process for managing climate-related risks is part of its process for managing traditional risks. The ERM Committee maintains a register of risks, which includes a "risk owner" and a relative score for each based on severity, likelihood, and time to impact. Many risks are further analyzed and monitored by associated company committees/functions, such as the Investment Committee, Vendor Management Office, Strategic Management Office, and Product Committee. The company does not have a committee/function dedicated to climate risks.

  The company also maintains a business continuity program that incorporates off-site data backups, an off-site office area, an on-site generator, and an on-site water tank.

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

- Please see the section on Governance above, and the list of identified risk scenarios in section 2.A above.

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.
  - ➢ Climate-related risks are managed through the general enterprise risk management process.

- 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.
  - ➢ Scenario testing and analysis is not specific to climate risk but focuses on outcomes. Outcomes may or may not be attributable to environmental events or changes in climate. The company believes the primary risks from environmental changes relate to its life insurance operations and include changes in life expectancy, changes in sales or distribution, and changes in investment opportunities. Please see the scenarios described in Section 2.A above.

- 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.
  - ➢ Please see the scenarios described in Section 2.A 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.
  - ➢ The company is a life insurance operation and is not directly exposed to property and casualty risks. It does not currently use weather-related catastrophe modeling to manage risk. It does evaluate a pandemic mortality scenario and its impact on surplus and income.

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

- ➢ The company does not currently use climate-specific risk metrics. The company's primary risk metric is maintaining an A+ rating with AM Best, which is based on maintaining a strong surplus position. The associated risk limit is less than a 5% probability of a 30% drop in adjusted surplus. Identified risks used in the calculation include those listed in 2.A above, as well as other financial and operational factors.

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.

C. *Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.*
   - The company does not formally monitor Scope 1, 2, or 3 GHG emissions.

   D. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.
   - The company does not have formal performance targets or risk metrics for climate-related risks.

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