2023 Climate Risk Disclosure Survey Response

Prosperity Life Ins Grp, NAIC Group # 4947
Submitted August 30, 2024

This 2023 Climate Risk Disclosure Survey Response is submitted on behalf of the following insurance companies within the Group.

Name	NAIC No.	Domicile State
SBLI USA Life Insurance Company, Inc.	60176	New York
Shenandoah Life Insurance Company	68845	Virginia
S.USA Life Insurance Company, Inc.	60183	Arizona
National Western Life Insurance Company*	66850	Redomesticated from CO to AZ effective July 2, 2024

*National Western Life Insurance Company became part of the Prosperity Life Insurance Group as of July 9, 2024.

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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.

Response for Governance:

Pursuant to the Prosperity Life Insurance Group Climate Risk Management Board Governance and Organizational Structure Plan dated August 15, 2022, governance around climate-related risks and opportunities for S.USA Life Insurance Company, Inc, Shenandoah Life Insurance Company, and SBLI USA Life Insurance Company, Inc. (collectively, the "affiliated insurers"), and as of July 9, 2024, National Western Life Insurance Company (collectively, the "affiliated insurers") is handled at the group level. Responsibility for oversight of the management of climate risks resides with the Board of Directors of Prosperity Life Insurance Group, LLC ("PLIG" or "Prosperity"), commensurate with and as part of its oversight of the Enterprise-Risk Management ("ERM") Policy applicable to the affiliated insurers within the

PLIG group ("the Group"). The PLIG Board will maintain oversight over the management team responsible for managing climate-related risks and opportunities and progress toward meeting any announced climate commitments and review related strategies for effectiveness.

Two PLIG Directors have been designated as having specific responsibility for the oversight of the management of climate risks. These two individuals have deep experience in insurance company management, investments, and regulation. PLIG will utilize vendors and consultants to provide climate risk training to these two individuals on a periodic basis.

While governance is being placed at the Group level, the risk appetite, processes and framework developed by the PLIG Board as to climate risk will remain focused on the affiliated insurers.

To the extent that there are material climate commitments that would meaningfully impact capital spending, this will be built into the risks and controls systems, clearly reflected in the insurer's financial statements, and overseen by the respective Audit Committees.

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 1-5years 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.

Response for Strategy:

To date management has not identified climate change as a material risk that would impact the affiliated insurers' business or operations. Primary executive and administrative offices are currently located in mid-town New York, New York, and Roanoke, Virginia, areas that have not experienced sustained extreme weather such as wildfires, flooding or tornadoes. The companies' data center and other operations are geographically diverse and not prone to climate related physical risks. Should a climate-related disaster occur, Prosperity maintains a Business Continuity and Disaster Response Plan that provides staff with remote work capabilities and backup facilities in other locations. For vendors, such as TPAs, that provide material operational capabilities, Prosperity's contracting procedures require acceptable Business Continuity and Disaster Recovery processes to be in place as well.

As noted above, through a corporate transaction which closed on July 9, 2024, National Western Life Insurance Company ("NWLIC") is now part of the Group, and is an indirect subsidiary of S.USA Life Insurance Company, Inc. NWLIC's primary administrative offices are located in Austin, Texas. As with the other affiliated insurers, climate-related risks have not emerged as risks with material exposure to NWLIC. NWLIC maintains its Business Continuity Plan and performs Disaster Recovery tests to keep operational resiliency and minimize weather-related disruption to its core operations.

Going forward, NWLIC will be incorporated into PLIG's Business Contingency Plan and Disaster Response strategies. As of this writing, NWLIC employees have the

ability to work from home. Part of the transition plan includes creating greater geographic distance between NWLIC's home office in Austin, TX, and its secondary data center to further enhance resilience, to include to climate driven events.

Management has included climate change as an ESG risk category for the affiliated insurers' diversified investment portfolios.

The affiliate insurers within the Group each have an investment management agreement with Prosperity Asset Management ("Investment Manager"). Environmental impact is factored in when making investment decisions. In discerning the value of an opportunity, the Investment Manager will take into account ESG considerations along with other factors that may affect an investment's prospects over the appropriate investment horizon. The company attempts to diversify its exposure across the portfolio and factors in climate change as a risk in the portfolio.

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.

Response for Risk Management:

Management has identified climate change as a financial risk with a potential impact on each affiliated insurers' investment portfolio.

The Chief Risk Officer ("CRO") periodically conducts an enterprise-wide risk assessment to assess overall risk profile and evaluate whether that risk profile is consistent with established risk appetite statements and tolerance levels. We model drastic impact on our mortality to assess emerging diseases that may be associated with climate change.

Prosperity is taking actions to manage the risks climate change poses to the business:

- **We have active disaster recovery plans and test them annually.**
- **We ensure our offices and data centers are prepared for a natural catastrophe.**
- **We have setup systems accessible from anywhere in the world via our utilization of Citrix in the cloud and it is utilized daily via remote workers greatly increasing our ability to continue operations should any one area suffer the impacts of climate change.**
- **Climate change and other related environmental considerations are fundamentally integrated into the investment decisions made by the affiliated insurers through the investment management process.**

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.

Response for Metrics and Targets:

The Investment Manager for the affiliated insurers may periodically prepare an ESG analysis of the insurers' investment holdings for consideration by the Investment Committee of the PLIG Board as requested.

In October 2023 the CRO and the Risk Committee approved high-level metrics, targets and limits for inclusion in the ERM Report to the Prosperity Board starting 2024.

- **Under the overall risk framework, climate change risks to operations and underwriting have been well integrated and managed as part of**

operational risks and underwriting risks. The high-level metrics, targets, and limits for climate risk is confined to investment.

- **The major climate-sensitive assets were identified from Prosperity investment portfolios. Since both transition risks and physical risks are considered, the major climate-sensitive assets identified include corporate bonds in climate relevant sectors/groups and commercial mortgage loans.**
- **In the base-case scenario, the potential loss in coal/oil/gas power, non-electric vehicles and residential/mortgage loans should be very low, according to Investment Manager's feedback below.**
    - **Corporate Bonds - Coal/oil/gas power: Many of the oil & gas and power names have already diversified into renewable as well as renewable diesel which continues to offset emissions regulation risks.**
    - **Corporate Bonds - Non-electric vehicles: Vehicle manufactures are also well diversified into electric vehicles.**
    - **Corporate Bonds - Residential & Commercial Mortgage Loans: Flood insurance is required for any property that is in a flood plain, all our commercial loans are covered by similar insurance.**
- **In a severely stressed scenario, the loss, as % in book value, is estimated to be:**
    - **Corporate Bonds – Coal/oil/gas extraction: 5%**
    - **Corporate Bonds – Power: 2%**
    - **Corporate Bonds – Vehicles: 2%**
    - **Corporate Bonds – Residential: 2%**
    - **Mortgage Loans – Commercial and Residential: 2%**
- **The risk metrics and limit are expressed as percentage of total assets allowing Prosperity to perform risk assessment based on a stable risk limit even when Prosperity explores various growth opportunities.**

As such, after examining Prosperity's current position in major climate-sensitive investments and gathering the Investment Manager's input regarding the potential loss from climate change risk, the CRO and Risk Committee approved the following risk metrics, target, and limits:

- **Metrics: Investment as % of total Assets Book Value**
- **Target: To avoid a high-risk event (25% impact to total surplus) caused by climate change risk impact on investments. When the risk exposure exceeds the limit, risk management actions will be triggered such that risk exposure can be brought back under the limit.**
- **Limits: Maximum 10% for each of the following category under Corporate Bond, 20% for the total of Commercial Mortgage Loans and Residential Mortgage Loans:**
    - **Corporate Bonds – Coal/oil/gas extraction**

- **Corporate Bonds – Power**
- **Corporate Bonds – Vehicles**
- **Corporate Bonds – Residential**
- **Mortgage Loans – Commercial and Residential**

The above metrics, targets and limits are subject to annual re-evaluation.

Because climate-related risks have not emerged as a material risk to NWLIC, no targets or metrics are used to assess or monitor climate-related risks.

Prosperity will continue to review and re-evaluate the metrics, target and limits with respect to the entire Group, including NWLIC.