# 2023 Climate Risk Disclosure Survey

## 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.*

*Fidelity Security Life Insurance Company (FSL) response:*

*The Company's current corporate governance guidelines include the performance of certain functions which entail but are not limited to:*

*a. confirming that officers and management are providing sufficient materials and information to the directors and its committees to allow the Board and its committees to satisfy their oversight and governance duties and obligations;*

*b. confirming that leadership understands the principal risks of the business of the Company, and that appropriate management of those risks are in place and effectively implemented, including, but not limited to, the appropriate oversight to maintain the integrity of the internal control and management information systems and technology assets, and associated risks; and*

*c. satisfying itself that the Company is pursuing a sound strategic direction in accordance with the approved strategic plans and policies adopted by the Board such as the investment policy, cybersecurity policy, and any risk management framework.*

*Therefore, the Board is responsible for the oversight of the management of climate risks, which necessarily includes the familiarity, education, and training needed to address climate risks. Bryce Jones, as President of FSL, will be the lead on the Board of FSL, and Martha Madden, as Senior Vice President, is responsible to communicate and provide information to the Board to allow for the oversight and management of climate risks at the Board level. Ms. Madden collaborates with the Senior Director of Enterprise Risk Management (ERM) and Internal Audit, Aaron Ferguson. Ms. Madden, as a Board member for FSLNY, will be the lead for the Board of FSLNY. The ERM department has established an Enterprise Risk Committee (ERC) comprised of ownership and senior leadership. The Committee meets on a quarterly basis to discuss applicable and impacting enterprise risk matters. This includes climate risk. The ERC is the committee that has responsibility for the oversight and management of climate risks. The Company's board has been kept abreast of climate change risks and overall ESG developments with both Martha Madden and Aaron Ferguson having presented/discussed these issues at several meetings.*

*Furthermore, Aaron Ferguson has attended several trainings (including NY DFS trainings/webinars) covering the subject of climate risk. Key takeaways from these trainings have been relayed back to the board as well as the ERC. While the company is aware of the industry and regulatory attention to climate-related risks, there has not yet been a formally documented climate risk policy or formalized climate risk commitments. Additionally, the Company has not developed nor communicated any publicly stated goals on climate-related risks and opportunities. Management is still considering* *how the impact of the specific factors of climate risk as related to the Company as a life and health insurer with only limited ancillary lines of coverage will be addressed as part of a long-term plan. The Company will continue to attend NY DFS and other educational sessions and continue to manage those risks in a manner proportionate to the nature, scale, and complexity of the business.*

# 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 1-5 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.*

*FSL response:*

*The Board and management believe that climate change currently represents a minimal risk to the company because, as a life and health insurance company, we do not have a lot of exposure or vulnerability to the impact(s) of climate change. Unlike a property and casualty insurer, our lines of business are not typically or directly affected by climate change risks. Nevertheless, we do recognize the possibility for the occurrence of climate-related events and natural disasters (such as tornados, floods, hurricanes etc.). We recognize that these events could have a negative impact on business operations and long-term mortality trends. In response to these considerations:*

- *We have developed and successfully tested our business continuity plans and disaster recovery plans;*
- *We have demonstrated an ability to successfully work remotely for an extended period, particularly during the pandemic; and*
- *Our customer base is not subject to geographical concentrations that might typically be affected by such climate change events.*

*To date the Company has not engaged key constituencies on the topic of climate risk and resiliency. Our in-office and headquarter location is restricted to one primary building and, as a life and health insurance entity, the Company does not directly produce material greenhouse gas emissions in its operations. Therefore, the Company does not provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk. The Company is considering a move in location (still only one primary location), and part of that strategy is to locate in a* *more modern and energy efficient building with access to mass transit to further reduce the Company's consumption of fossil fuels.*

*The Company has a VP for Investments and an active Investment Committee. Both parties consider multiple factors and variables when reviewing the Company's investment portfolio. To date, the Company has not altered its investment policy or strategy to address the impact of climate change.*

*The Company's ERM department (see more on ERM in the next section) has identified several climate-related risks and presented these risks to leadership. These risks include:*

- *A climate-related event such as a natural disaster impacting Company operations;*
- *Climate change causing an increase in mortality rates or health issues among policyholders and subsequent claims; and*
- *The Company does not meet consumer, regulator, or third-party expectations with regards to climate change measures and initiatives.*

*The Company currently considers none of the above risks to pose a material concern or impact for the business in the short, medium, or long-term. Additionally, the ERM department has developed several climate risk-related scenarios which are subject to stress testing as part of our annual ORSA process. Results from stress testing show that none of these scenarios would have a material impact on the Company. Given the nature of our Company operations and lines of business, we do not expect a material impact for our business arising from a 2 degree Celsius or lower risk scenario.*

## 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.

*FSL response:*

*The Company identifies and assesses climate-related risks as part of the Enterprise Risk Management process. As previously mentioned in Section 1, the ERM department presents risk information to the ERC on a quarterly basis. Climate risk, as a component of ESG risks, is considered and recognized within the Company's ERM risk framework, the Company's risk register, and, as previously mentioned, the Company's annual ORSA. The monetary impact, likelihood, velocity, and persistence of climate and natural disaster-related risks are assessed with Company VPs and SMEs and presented in the Company's ORSA. Our ORSA risk scenarios include consideration for the direct and indirect impact of climate change, natural disasters, and impacting ESG requirements.*

*The ERM department monitors emerging risks on a continuous basis and logs new emerging risks in the Company's GRC tool. Sources for emerging risks include, but are not limited to, news articles, regulatory bulletins and announcements, and emerging risk information from reputable risk publications. Emerging risks are presented to leadership for discussion at least twice a year during the applicable ERC meetings. This process allows for the identification and subsequent assessment of new climate related risks.*

*Given the nature of our business, the Company does not consider climate-related risk factors as part of the underwriting process. Our ERM department continues to monitor the risk landscape for potential financial impacts from climate-related risks. As previously mentioned, to date the Company has not altered its investment policy or strategy to address the impact of climate change. The Company has not taken specific steps to encourage policyholders to manage their potential physical and transition climate-related risks as our lines of coverage do not provide a direct bearing on our policyholders' physical or transitional risks.*

*The relative size and resource capacity of the organization's efforts to date have been focused on education and understanding of the impacts to the company and policyholders. The Company will also continue to seek understanding, particularly with regards to the proportional impacts for small privately held life insurers. The Company will continue to monitor the developing industry best practices and changes in regulatory guidance to help us consider the feasibility of our company, which specializes in life and ancillary health insurance, implementing climate risk related management processes across our lines of business, operations, and control functions.*

## 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.*

*FSL response:*

*The Company has not explicitly incorporated risks associated with climate change into financial or any other modeling, apart from the annual ORSA risk scenario stress testing. The Company does not currently track any metrics or targets related to climate change risks or opportunities. Additionally, we have not developed or implemented specific metrics to assess and measure certain greenhouse gas emissions.*