



Companion Life

Climate-Related Risk Disclosure
April 1, 2023

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Introduction and Scope

This assessment covers the Companion Life Group (the Life Group or the Group), which operates under common management, consists of Companion Life Insurance Company (Companion Life or the Company) and its two wholly owned life insurance subsidiaries, Niagara Life and Health Insurance Company (Niagara) and Companion Life Insurance Company of California (CLCA).

This is the Life Group's initial disclosure under the new reporting framework of the Task Force on Climate-Related Financial Disclosure (TCFD), which addresses the core elements of governance, strategy, risk management, and metrics and targets. As an organization, we are committed to protecting the environment and integrate environmental considerations into our business practices whenever possible. To measure our progress, we recently engaged a consulting firm to assist with developing a Carbon Footprint Baseline Assessment. The assessment will be conducted later this year.

Entity Overview and Governance

The life entities utilize the same general business model, differentiated only by the jurisdictions in which they are licensed to operate. Companion Life acquired Niagara and CLCA to facilitate entry into the northeast (New York, Connecticut, and New Jersey) and California, respectively. Currently, the Group is licensed in 49 states and the District of Columbia, with plans to expand into New Jersey. Once approved, New Jersey will complete the Group's 50-state licensure.

Companion Life Insurance Company

Companion Life is a South Carolina domiciled insurance company organized under the laws of that state. The Company is primarily engaged in the sale and administration of group and voluntary life, accidental death and dismemberment, short-term and long-term disability, dental, and group medical excess loss insurance. The Company's portfolio also includes other accident and health coverages. The Company is licensed in 45 states and the District of Columbia. As a wholly owned subsidiary of Blue Cross and Blue Shield of South Carolina (BCBSSC), Companion Life reports to the BCBSSC Executive Vice President of Strategic and Diversified Businesses. Companion Life is governed by a ten-member board of directors. The BCBSSC board of directors also has oversight of the Company's strategic direction and activities.

Niagara Life and Health Insurance Company

Niagara is a New York-domiciled life insurance company organized under the laws of that state. Companion Life acquired Niagara in 2009 and began marketing approved products in New York at that time. Niagara is currently licensed in New York and Connecticut and primarily engaged in the sale of employer stop-loss, group supplemental prescription drug, and dental coverage. Niagara is governed by a ten-member board of directors. The Companion Life and BCBSSC boards also oversee Niagara's strategic direction and activities.

Companion Life Insurance Company of California

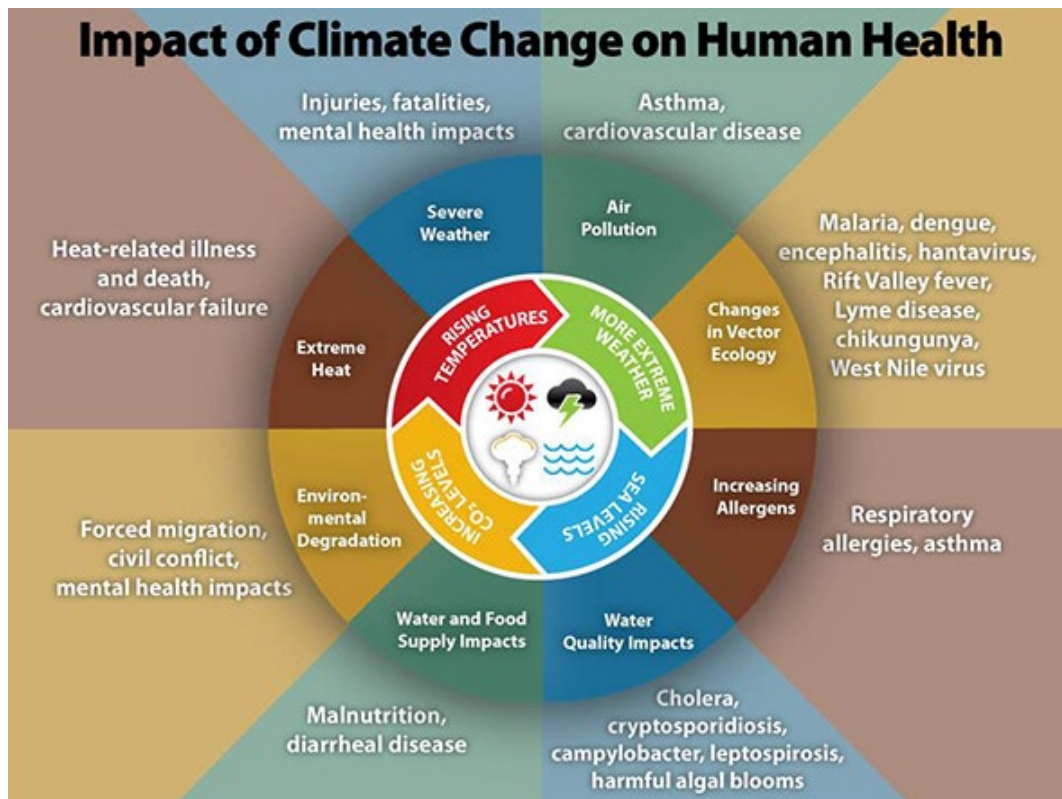
CLCA is a California-domiciled life insurance company organized under the laws of that state. CLCA is engaged in the sale of employer stop-loss, group supplemental prescription drug, employer limited benefit health, life, dental, vision and group retiree medical products. CLCA is governed by a five-member board of directors. The Companion Life and BCBSSC boards also oversee CLCA's strategic direction and activities.

Strategy

Climate-related risks with potential impact to our business, strategy, and financial planning are assessed in three broad categories: policyholder risk, investment risk, and opportunities.

Policyholder Risk

Climate-related policyholder risk, the risk of claim related losses, can vary significantly by line of coverage and is commonly associated with property losses resulting from severe weather conditions including heavy winds, storm surge, and flooding. Life and health losses are also influenced by climate change although to a lesser degree. Our exposure is limited to these lines as our entities operate in the employee benefit and accident and health space.



Source: Centers for Disease Control and Prevention. Climate Effects on Health. Page last reviewed: April 25, 2022.
<https://www.cdc.gov/climateandhealth/effects/default.htm>. Viewed November 11, 2022.

Our employee benefit portfolio includes dental, group life, and disability products designed to complement health benefits offered by employers. We distribute these products through a network of independent and general agents and through our A&H distribution channels. Our A&H portfolio includes employer stop-loss and other health related products distributed directly, through subsidiaries and strategic partners. We align with large, reputable reinsurers and retain risk up to 50 percent, while earning fees for serving as the issuing carrier.

We believe the diversity of our portfolio combined with cost control measures - including claim management services, policy limits and reinsurance – mitigate the Life Group’s policyholder risk from potential unfavorable underwriting results related to climate change.

Investment Risk

The Life Group follows the investment risk policy of BCBSSC and BCBSSC Treasury manages the individual entity investment portfolios. The investment policy establishes investment objectives, general policies, allowable investment instruments, and investment guidelines and parameters. The enterprise-wide investment function falls under the oversight of the BCBSSC Treasurer and Investment Committee of the BCBSSC Board of Directors.

The Life Group’s combined portfolio consists of high quality fixed income and equity securities, structured to provide consistent returns and liquidity to meet current and future operating cash demands. We utilize Pacific Investment Management Company, LLC (PIMCO) to manage the long term fixed income investments of the enterprise. PIMCO is subject to portfolio allocation parameters and performance is benchmarked to pre-determined indexes. PIMCO is committed to the Principles for Responsible Investment and its ESG principles and incorporates material ESG factors into the investment research process where applicable to better assess issuer risks. This approach to investing aligns with our values, goals and priorities.

Opportunities

The Group explores innovative ways to operate, grow and diversify our business by pursuing opportunities that complement our goals, strengthen our sustainability and align with our values. We recycle paper, plastic, aluminum, and promote paperless communications by offering policyholder documents and notices electronically. This year we started the process of transitioning to 100% paperless office environment.

Our new state-of-the-art office facility is eco-friendly and equipped with motion sensor LED lighting which provides better light and uses significantly less power than traditional lighting systems. Bathrooms are equipped with touchless faucets and bottle fillers are installed to minimize single-use plastic consumption. We are committed to conserving our natural environment and will continue making additional changes to minimize our carbon footprint.

Finally, we will engage suppliers, customers and colleagues through programs that are in development to raise awareness of climate change and initiatives in which they can participate and contribute such as paper elimination through electronic digitization.

Risk Management Framework

The BCBSSC Chief Compliance & Risk Officer is responsible for overseeing the enterprise-wide risk management (ERM) program which encompasses the Life Group. The Board of Directors review and approve business objectives, major strategies and policies and plans for the entities. With its fiduciary obligations and on an informed basis, the Board also oversees corporate strategies and objectives.

The ERM framework considers five major risk categories:

- Financial
- Compliance/Legal
- Operational
- Market
- Environmental

The process includes risk identification, analysis, assessment, monitoring and communication. Identified enterprise risks are assigned to at least one risk category. The mitigation of these risks is a concept that is shared and owned by all areas of the enterprise. As such, the processes related to risk mitigation occur throughout the organization, including business operations areas, internal audit, legal, finance, and information systems among others. While climate change risk is always considered as part of the risk assessment process, currently, it is not considered to be a significant risk to the enterprise.

Metrics and Targets

Throughout the years, BCBSSC developed and implemented various programs in the workplace that promote the conservation of our natural resources. These enterprise-wide initiatives include:

- *Reduction in Paper*

The recycling paper program not only ensures that confidential and private data is effectively destroyed but results in a significant impact on the environment.

In 2022, we prevented 10,920 pounds of organic waste from going to landfills.

- *Recycling Plastic Bottles and Aluminum Cans*

In 2022, plastic bottle and aluminum can recycling containers at all our campuses resulted in recycling of 1,440 pounds of plastic bottles and aluminum cans and 25,000 Styrofoam cups annually or total of 3.9 tons kept out of landfill. To benefit the community further, we work with charitable organizations that pick-up these items and turn them in for a profit.

- *Composting*

Starting in February of 2016 a pre-consumer composting program (organic waste in the kitchen only) was started at two corporate cafeterias. The program has diverted 1.5185 tons of waste from landfills in 2021. A total of 3,037 pounds of food waste was diverted from the landfill. This diversion and effort reclaimed 147.54 acres of cropland, 12,148 gallons of water saved and 3.26 atmospheric carbon in pounds eliminated. Source: <http://www.atlasorganics.net/>

In addition to our recycling efforts, we conserve energy and to encourage our employees to do the same. These conservation initiatives include:

- ✓ Remote workforce – in 2021, a significant number of our employees worked from home. This resulted in a significant reduction in carbon emissions as our metropolitan area does not have a mass transit system and many of our employees use their cars to commute to work.
- ✓ Utilizing new technology and more energy efficient devices in our data centers
- ✓ Utilizing virtual tape technology in our data centers to reduce the need for physical tape drives.
- ✓ Powering up equipment only when needed rather than leaving it on continuously.
- ✓ Monitoring equipment run time in our food service areas to reduce use of gas and electricity.
- ✓ Collecting and selling the grease from fryers in the food service areas to companies who turn it into bio-fuel
- ✓ Limiting vendor deliveries to no more than two per week at all café locations
- ✓ Posting reminders for employees to switch off lights when not needed and installing automatic sensors in some areas so lights automatically turn off when there is no activity for a set amount of time.

- ✓ Reducing the amount of lighting in hallways, elevators, storage areas, vending machines and spaces where an abundance of natural light already exists.
- ✓ Maintaining a consistent temperature in all facilities of 68 degrees during business hours during the winter and 76 degrees during the summer.
- ✓ Utilizing motion sensor LED lights to reduce the total energy consumption by 60%.
- ✓ Replaced 160 fluorescent light fixtures with 28 LED light fixtures that gave better lighting and reduced the power consumption by approximately 90%.
- ✓ Replaced antiquated centrifugal chillers with high efficiency air-cooled chillers. Power consumption reduced by approximately 60% along with the costs of chemicals and make up water at \$2800 per month.
- ✓ Reusing pallets and inter-office envelopes.
- ✓ Utilizing of Green Seal certified cleaning chemicals by the food services area.
Note: Green Seal is a non-profit, third-party certifier and standards development body that provides independent, objective, science-based guidance to the marketplace and to consumers regarding products that are indeed environmentally safe. Green Seal meets the United States Environmental Protection Agency's Criteria for Third Party Certifiers, the requirements of ISO 14020 and 14024, and the standards of the Global Ecolabelling Network.
- ✓ Replacing carpet when needed with carpet containing recycling materials and working with vendors to ensure the recycling of the old carpet.
- ✓ Utilizing touchless faucets in bathrooms that result in 60-80% water reduction.
- ✓ Bottle fillers were installed in buildings to reduce the use of water at fountains as well as reduce plastic bottles and other usable goods.

- ✓ Documented Business Continuity Plan in place for crisis response in case of loss of office or a customer state event.