

NAIC CLIMATE RISK DISCLOSURE SURVEY

TCFD-ALIGNED QUESTIONS

UPDATED 2022

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.

The PacificSource family of companies is a not-for-profit organization that includes PacificSource Health Plans (PSHP; NAIC Company Code 54976), PacificSource Community Solutions (PCS; NAIC Company Code 16665), and PacificSource Community Health Plans (PCHP; NAIC Company Code 12595). PacificSource is governed by a Board of Directors, who make decisions about the growth and direction of the organization that may be impacted by climate change. The Board of Directors conducts business through committees, including a Governance Committee.

PSHP currently holds a certificate of authority to transact insurance in Oregon, Idaho, Montana and in Washington. PCHP currently provides Medicare Advantage plans in Oregon, Idaho, Montana and Washington. PCS holds Medicaid coordinated care organization contracts awarded by the Oregon Health Authority in Oregon. PCS administers these contracts in four separate regions in Oregon – in Marion and Polk Counties, in Jefferson, Crook, Deschutes and portions of Klamath Counties, in Lane County and in Hood River and Wasco Counties. Regional governance of the coordinated care organizations occurs through joint management agreements between PCS and local health councils. These health councils, which PacificSource does not exercise control, oversee the strategic work of the coordinated care organization in the region. The health councils also make community reinvestment decisions through shared savings, community benefit initiative funds, and other funds. These health councils may make decisions about community investments and strategic direction that may be impacted by climate change, or in response to climate change.

For this 2024 report, PacificSource is filing at the group level.

In 2023, PacificSource engaged with a consultant to establish a baseline assessment of where the organization currently stands with respect to environmental, social, and corporate governance (ESG), of which climate change was a component. Based on this assessment, PacificSource is evaluating making public statements on enterprise-wide goals, considering climate change, in the future. In 2023, the Board of Directors engaged in an ESG training, to include information of a board's role in the oversight of ESG, as the company continues to develop a more formal approach to ESG, including climate risks. Out of that work, the

Governance Committee charter was amended to place responsibility with overseeing efforts related to sustainability, environmental, social, and governance with the Committee.

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.

In part 2., reports filed by PSHP and PCS in 2021 noted that while "[PSHP or PCS] has not had discussions with our key constituencies regarding climate change, [PSHP or PCS] has taken some preliminary steps in developing an energy-saving approach to transactions. We encourage our providers and vendors to receive payment via direct deposit; future changes in our vendor contracting process will make electronic funds transfer the default payment mechanism. In addition, we are enhancing our online data for members to access." As noted above, PacificSource engaged a consultant to establish a baseline assessment of where the organization currently stands with respect to ESG work, of which climate change is a component. The consultation illustrated for PacificSource opportunities to highlight existing practices as well as establish new practices informed by risks brought about by climate change.

As a series of community health plans, we routinely engage with many key constituencies on matters impacted by climate change – our members, providers contracted to serve our members, members of the larger communities we serve, and members of state and local government. Interactions involve health matters which may be accelerated or exacerbated by climate change. There is no change to note here from our response in 2023.

In part 2., regarding the question on how we assess, reduce, or mitigate greenhouse gas emissions in our operations or organizations, PacificSource noted in 2022 that we had not substantively made any changes to our approach with respect to assessing, reducing, or mitigating greenhouse gas emissions in our operations or organizations. We have taken steps to reduce use of resources in facilities we own through the use of "smart building" technology. Building lighting adjusts based on available ambient light. We make use of light-

emitting diode lights in all our buildings, owned or leased. We make use of rain sensors in owned locations where we irrigate our landscaping to reduce duplicative water usage. Alternatively, one of our offices is naturally landscaped, obviating the need for intensive water resources. Our heating, ventilation and air conditioning systems allow us granular control over building areas and heat or cool a building based on zones, reducing resource usage in the process.

One of the outcomes from our engagement with a consultant to establish a baseline assessment of where the organization currently stands with respect to ESG work was the notion of understanding PacificSource's greenhouse gas emissions relative to other, similarly situated health plans. Scope 1 emissions are those emissions from sources controlled or owned by PacificSource. Scope 2 emissions arise from indirect sources, like energy purchases. Scope 3 emissions derive from those indirect sources in the supply chain. Understanding how much of an impact PacificSource has on the natural environment may help calibrate how the organization approaches developing internal policies on resource usage or other climate-related initiatives. Measurement may also include understanding how existing policies (e.g., telecommuting) may have already reduced the organization's Scope 1 carbon footprint over the last few years.

One of the areas PacificSource has addressed since first reporting in 2022 that may reduce or mitigate greenhouse gas emissions is regarding workforce expectations in the office. PacificSource has moved from a set expectation of in-office work to a policy of "how we work," or selecting work locations that make sense depending on a contributor's roles and teams. Although the change in workforce expectations was not directly motivated by climate change, we anticipate that allowing employees to work remotely or less often in a physical office setting will reduce the carbon emissions associated with commuting. We plan to learn from the experience of widely available flexible work locations to inform further changes to water usage, waste management, energy efficiency and the built environment for facilities owned by PacificSource.

Another area PacificSource is considering further clarification is in the process of selecting vendors from whom we purchase goods and services. Knowing that eventually Scope 3 emissions may be a measurable impact, these efforts would build on the work we already undertake with respect to the selection of vendors for goods and services. PacificSource is considering best practices or policies around the sustainability of the organization's supply chain for future vendors. Such selection must also balance a variety of other factors, such as ensuring that PacificSource does not excessively increase administrative costs or diminish timely service to our membership. Stakeholders can help inform us of how they approach sustainability with similarly situated parties, whether through other contract requirements with similar entities or government requirements. An internal working group may be tasked with exploring existing certifications or model policies that may serve as a platform for PacificSource modification.

In terms of identifying risks and opportunities over the short-, medium-, and longer-term periods defined in part 2.A., PacificSource undertakes regular strategic planning with the Board of Directors. The Board of Directors and PacificSource management plan for risks and opportunities that may be impacted by climate change. Strategic planning anticipates 'short-term' actions as this term defines (i.e., 1-5 years), with regular reassessment. There is no change to note here from our response in 2023.

Part 2.B.: PSHP issues individual and group health benefit plans to members. PCS members receive medical assistance through Oregon's Medicaid program. PCHP issues Medicare Advantage plans to eligible individuals. Unlike other reporting insurers, PacificSource more likely than not would help members adapt to climate-related risks through health care coverage and care management of acute or chronic conditions exacerbated by climate change. This approach is a proportionate response, given the not-for-profit status of the organization and the nature of the lines of business served by PacificSource. Services provided by PSHP are contingent on state essential health benefit packages and applicable state law. Services provided by PCS are contingent on the benefit package required under the Oregon Health Plan, § 1115 Medicaid demonstration waivers or approved state plan amendments (including health-related social needs and climate supports in 2024), and the capitated funds granted to each coordinated care organization by the Oregon

Health Authority under the terms of the coordinated care organization contract. Services provided by PCHP are contingent on federal statute and regulation. There is no change to note here from our response in 2024.

PCS provides certain medically necessary air conditioning and air filtration devices to assist vulnerable members manage extreme heat events or wildfire events through capitated health-related services funds. Increases in heat and wildfire events in the state, which are likely due to climate change, have necessitated an expansion of coverage for these services. Further, PCS' Analytics team has developed a climate risk dashboard that identifies those members who show pre-defined weather-affected diagnoses in our claims system to inform outreach activities for those at-risk..

In October 2022, the Centers for Medicare and Medicaid Services approved Oregon's § 1115 Medicaid demonstration waiver request for 2022-2027. Included within that approved demonstration waiver is federal financial participation for coverage of "health-related social needs." These benefits, which must nonetheless be coordinated with existing state programs, enable coordinated care organizations like PCS to cover costs associated with housing supports – including medically necessary air conditioning and refrigeration – nutrition supports and case management for those experiencing homelessness or at risk of homelessness. The HRSN benefit rolled out for climate supports in March 2024.

In part 2.C., PacificSource has not engaged in scenario planning to consider how an average rise in global temperature of 1.5°C (the target limitation in the Paris Climate Agreement of 2015) or 2°C (the upper limit of that accord) might present risks and opportunities for the organization's strategic plan. There is no change to note here from our response in 2024.

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.

While PacificSource does not possess particular technical expertise or knowledge on climate change science, we recognize through other sources that climate change-related risks may manifest in acute and chronic conditions experienced by our members. For instance, the US Centers for Disease Prevention notes that disruptions to ecological systems may result in “respiratory and cardiovascular disease, injuries and premature deaths related to extreme weather events, changes in the prevalence and geographical distribution of food- and water-borne illnesses and other infectious diseases, and threats to mental health.” Geography, demographics and community resources change the risks in each region. Nonetheless, quantification of climate risk is an evolving area for health carriers, with unevolved or uncertain data models available.

PacificSource identifies, assesses, and manages climate-related risks at varying company levels as appropriate to the risk. For example, the impact of climate related risks on PacificSource’s underwriting portfolio has a slow onset, whereas health insurance pricing and contracting is annual. This enables actuaries and underwriters to utilize recent historical experience and apply trend and other adjustments to accurately account for some climate-related effects such as impacts to population morbidity on a case by case basis.

In 2024, PacificSource introduced a climate and environment category in its enterprise risk register. This category includes such considerations as discussed above as well as (1) the impact of extreme climate on prescription drug manufacturing, (2) the long-term impact of climate change on population health, (3) supply chains and population movement, and (4) the potential for new diseases to be introduced to PacificSource’s coverage areas. Separately, PacificSource maintains a category for business continuity and disaster recovery in its enterprise risk register, which takes into consideration how prepared PacificSource is to maintain business continuity in the face of the potential for extreme weather or forest fires induced by climate change.

These categories and others are evaluated as needed (no less than annually) in terms of likelihood and impact and assigned a risk score. As of PacificSource’s 2024 Enterprise Risk Assessment, climate and environment is not considered a top-ranking risk category as viewed over the next four years. However, business continuity and disaster recovery is a top-ranking risk category. PacificSource is exploring how and when to perform a business impact analysis as a next step and will include climate-change related disruptors, such as forest fires or severe weather events in its analysis.

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.

In part 4., metrics and targets must be developed in tandem with a process for assessing and managing relevant collateralized risks and opportunities. In this filing, we have addressed potential changes to our risk management framework, as well as a potential governance change at the Board of Directors level. Such changes likely need to establish tandem metrics for the organization to understand where it currently stands with respect to managing risk and a way to measure progress.

Additionally, we note that catastrophe modeling typically consists of a simulation of a catastrophic event and an estimation of loss due to the event. This type of modeling occurs more prevalently in the property and casualty lines of insurance business. Appropriate modeling that considers the unique challenges and regulatory environment of health insurance appears to be evolving. See, e.g., Society of Actuaries, Climate Risk Analysis for Life and Health Insurance Companies (June 2022) (available at <https://www.soa.org/49d636/globalassets/assets/files/resources/research-report/2022/climate-risk-analysis-life-health-report.pdf>). There is no change to note here from our response in 2024.

In part 4.A., PacificSource is currently evaluating options for the Board oversight of climate-related risks and opportunities, which may include specific metrics for assessing whether climate-related risks and opportunities are in line with any strategy and risk management process we develop and implement. These metrics would follow a review of categories of enterprise risk management, as discussed above.

In part 4.B., PacificSource is currently evaluating options for the Board oversight of climate-related risks and opportunities, which may include specific metrics for assessing direct and indirect emissions sources (scope 1 – company facilities and vehicles; scope 2 – purchased sources of energy; scope 3 – other activities) and how those sources factor into an assessment of climate-related risks and opportunities. There is no change to note here from our response in 2024.

In part 4.C., PacificSource is currently evaluating options for the Board oversight of climate-related risks and opportunities, which may include identifying the targets used by the insurer to manage climate-related risks and opportunities and performance against established targets. There is no change to note here from our response in 2024.

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