

Health Alliance Medical Plans, Inc. (HAMP)	NAIC: group code 1192 and company code 77950
Health Alliance Connect, Inc. (HAC)	NAIC: group code 1192 and company code 15478
Health Alliance Northwest Health Plan, Inc. (HANHP)	NAIC: group code 1192 and company code 15082
FirstCarolinaCare Insurance (FCC)	NAIC: group code 1192 and company code 12962

## **2022– NAIC CLIMATE RISK DISCLOSURE SURVEY**

### **RESPONSE BY CHA HOLDING, INC. on behalf of HEALTH ALLIANCE MEDICAL PLANS, INC. and its affiliates and subsidiaries As of 8/15/23**

NAIC INSTRUCTIONS: To provide clear direction for achieving a robust, insurance-sector specific TCFD report, narrative and closed ended questions follow, grouped into the TCFD’s four topics: governance, strategy, risk management and metrics and targets.

The statements listed next to numbers and letters are directly taken from the TCFD Framework and should be fully addressed in the insurer’s response. As discussed in detail above, insurers should consider including the bulleted items in their response to the TCFD statement above it. For additional guidance on sector specific content to consider including, refer to the Implementation Recommendation Report.

**Closed ended questions directly correspond to the narrative, allowing for explanation and qualification of the yes/no answers.**

**Closed ended questions are voluntary for reporting year 2022 and submitted via Survey Monkey, not the CA DOI website.**

#### **Governance – narrative**

*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.

#### **ANSWER:**

To clarify the responsive statements below, it may be important to note the structure and governance of the entities this is on behalf of: Health Alliance Medical Plans, Inc. (HAMP) and its affiliates and subsidiaries Health Alliance Connect, Inc. (HAC), Health Alliance-Midwest, Inc. (HAMI), Health Alliance Northwest Health Plan, Inc. (HANHP), and FirstCarolinaCare Insurance (FCC) (collectively hereafter “Health Alliance”)

Commitment statement:

Recognizing the link between environmental health and population health, Carle Health is committed to building a lasting legacy of environmental stewardship for our organization and community by working to solve real-world problems. Through the integration of social, economic and environmental considerations into our model of care and service, we will strive to responsibly steward resources throughout the Carle Health system as a trusted partner in

healthcare, we will advocate for environmental sustainability among our valued partners and within the communities we serve.

The Sustainability and Environmental Stewardship Council will drive the vision for Carle Health and the environmental sustainability efforts – specifically focused on four key areas:

- Energy and utilities.
- Sourcing.
- Waste reduction and recycling.
- Sustainable planning, design and construction.

The Sustainability and Environmental Stewardship Council will develop processes, policies and practices to improve the environmental impact at Carle Health by increasing energy efficiency and reducing environmental waste. The council will also manage a partnership between Carle Health and Practice Greenhealth. Practice Greenhealth brings a wealth of experience in leadership, strategy management and resources, including metrics. There are 11 key items that Practice Greenhealth will focus on, including leadership, waste, chemicals, food, greening the operating room, transportation, energy, water, green building, climate, and environmentally preferable purchasing.

The Sustainability effort at Carle Health and Health Alliance is done at the enterprise level. Not only has the enterprise created the Sustainability Council, it also has plans to hire a full-time employee to support Carle Health's environmental stewardship including the development of programs, plans and policies that meet the health system's sustainability commitments and directs their implementation.

- 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.

**ANSWER:**

- a. Carle Health – Sustainability Committee. This committee reports to the Board of Directors for Carle Health / The Carle Foundation. The council is comprised of a variety of Carle Health leaders and has been tasked with developing a dashboard that will track initiatives and help drive accountability.

The following activities, deliverables and responsibilities are part of this committee's efforts:

- *Set annual goals and develop action plans to continuously improve the measurable outcomes of our environmental programs.*
- *Incorporate environmental considerations into building design, construction and renovation strategies.*
- *Minimize waste through source reduction, reuse and recycling programs, and ensure waste is disposed in a safe and responsible manner.*
- *Implement environmentally preferable purchasing criteria for products and services, selecting healthy and safe products, minimizing the use of nonrenewable resources, and supporting our local and regional economy.*
- *Improve energy efficiency and conservation within our operations, and support environmentally safe, cost-effective and sustainable energy sources.*
- *Improve water efficiency and conservation within our operations.*
- *Inform and engage employees in our sustainability efforts through training and education programs.*

- *Continuing to build sustainable organizational practices that ensure team member physical and psychological safety,*
- *Celebrate and communicate our sustainability practices to current and prospective team members, positioning Carle Health as a great place to work.*
- *Engage with subject experts to continuously improve our knowledge of best sustainable practices.*
- *Partner with other community organizations who share our commitment to a healthy environment*

Carle Health hired a Sustainability and Energy Project Manager in August of 2023. This multifaceted role helps position Carle Health as a leader in environmental sustainability with the goal of upholding national environmental standards and best practices. The Sustainability and Energy Project Manager will establish, set targets for, and track key performance indicators (KPIs) to identify progress on important sustainability metrics including the eleven key focus areas from Practice Greenhealth

- b. Health Alliance Enterprise Risk Management Committee. The Health Alliance ERM Committee reports up to the Audit Committee of the Board of Directors of Health Alliance. The ERM Department researches emerging climate related risks and presents to the ERM Committee for potential assessment and monitoring in the risk registry.

*B. Describe management's role in assessing and managing climate-related risks and opportunities.*

**ANSWER:**

The Sustainability and Energy Manager is responsible for supporting Carle Health's environmental stewardship including the development of programs, plans and policies that meet the health system's sustainability commitments and directs their implementation. This multifaceted role helps position Carle Health as a leader in environmental sustainability with the goal of upholding national environmental standards and best practices. The Sustainability and Energy Manager, while reporting to the VP of Facilities & Construction will lead initiatives throughout the entire health system.

Health Alliance's ERM Committee, in collaboration with the parent company's Sustainability Committee, reviews climate-related risks for potential assessment and to establish appropriate mitigating controls.

**Strategy – narrative**

*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.\*

**ANSWER:**

Healthcare organizations spend more than \$6.5 billion on energy each year and use 2.5 times more energy per square foot than an office building - adjusting our systems to find more efficient energy uses saves money and improves the quality of our community's environment.

Health Alliance and affiliates have focused on energy savings measures to reduce consumption. These have included the following: added solar in special circumstances; retro commissioning of the building automation system at the main clinical facility; use VFDs on large motors and pumps; converted most of our interior and exterior lighting to LEDs; TPO roof membranes with roof replacements ( “green” roof ), use of setbacks on the thermostats of our buildings not occupied; use air economizer settings on our AHU’s when the outside temperature permits; use energy efficient motors on elevators as upgraded; collaborate monthly with our energy efficiency consultant; and use of variable refrigerant flow system. New construction projects include LED lighting, encouraging reduction in our carbon footprint system wide.

Additionally, Health Alliance and their affiliates are partnering to engage with key constituencies. One of those partnerships is with Practice Greenhealth, a healthcare focused sustainability organization, which brings a wealth of experience and resources to support this large-scale environmental effort.

The Carle Center for Philanthropy is announcing a \$1 million gift which will fund the Sustainability and Environmental Stewardship Council work going forward. The Council will develop processes, policies and practices to improve the environmental impact Carle Health has on the communities we serve.

Carle Health completed Ameren Illinois’ Large Facilities, those with 100,000 square feet or more, Retro Commissioning Program to assess energy usage. Through minor modifications, Carle Health has saved 1,715,248 kWh of energy, which is the equivalent of eliminating greenhouse gas emissions from 258 passenger vehicles driven for one year.

Another recent sustainability project is Will’s Garden, a 6,000-square-foot rooftop garden, features more than 2,000 plants and three trees. The plants are placed in an ultra-light media that replicates soil. Will’s Garden, while allowing visitors to take a moment and breathe. It is also ecofriendly.

Overall, through retro commissioning and related projects — and energy-efficient new construction — Carle Hospital will reduce its annual energy use by more than 3.1 million kilowatt-hours and 234,000 therms (and counting). In terms of greenhouse gas emissions, those energy savings are equivalent to taking nearly 750 cars off the road for an entire year.

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.

#### **ANSWER:**

The Sustainability Committee is developing 3-5 year plan to identify and implement solutions to climate related risks. Once the Sustainability Committee is more established and now that the Sustainability and Energy Project Manager is on board they are looking at developing both shorter and longer term goals. With the every changing dynamics of climate risk it was important for Carle Health develop a plan while keeping the ability to stay dynamic in addressing climate change.

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.

**ANSWER:**

Carle Health plays a vital role in our communities and have deep roots in the local economies. By embracing sustainability and environmental practices, we set the course for others to follow. Using our sphere of influence, we can make a larger, environmental impact for our communities. –As we work every day to fulfill our commitment to improve the health of our communities, it’s important we also work to combat the negative climate impact we may have as part of the healthcare industry and join the global effort under way to reduce the environmental impact of healthcare.

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

**ANSWER:**

The company does not have an explicit climate change policy with respect to investment management. The company’s investment managers consider, in addition to quantitative financial attributes, a variety of qualitative factors including regulatory, physical, litigation, and competitiveness risks when assessing investments. The duration of the fixed income investments is short enough to enable the managers to adapt to government regulatory changes, which could create “stranded assets,” and would be the most immediate risk to the investments.

Yes, the company has considered the impact of climate change on its investment portfolio, but its consideration has not required substantial changes. The company’s investment managers incorporate, in addition to quantitative financial attributes in their analysis, a variety of qualitative factors including regulatory, physical, litigation, and competitiveness risks when assessing investments. From a long-term perspective, policies enacted by government bodies represent the greatest risk to investments, as government policies to constrict carbon output could result in “stranded assets”. Energy companies could also face greater disruptive risks due to government transfer payments, which subsidize the use of government policy-maker depending upon energy sources. Due to the broadly diversified nature of the company’s investments, and consideration of risk factors by its investment managers, no changes to the investment strategy have been required.

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

**ANSWER:**

N/A. At this time, Carle Health has not taken into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario. However, with the maturity of the Sustainability Committee and increased staff devoted to these goals, we will consider this for future.

**Risk Management – narrative**

*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.\*

**ANSWER:**

Health Alliance utilizes a mature Enterprise Risk Management (ERM) program to identify and assess risks. As part of that process, the ERM department proactively shares climate-related risk information that is obtained from a variety of ERM resources (RIMS, Gartner, Healthcare Compliance Association, Crowe, Goldman Sachs, Deloitte) with potential risk owners and the ERM Committee for evaluation for formal risk assessment and tracking in our GRC platform.

At this time, the company has not taken steps to encourage policyholders to reduce losses caused by climate change-influenced events. With regards to health issues that may be caused by climate change-influenced events, the company has a process in place to monitor health care trends and implement clinical care protocols to manage, support and improve the health of policyholders.

*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.

**ANSWER:**

Given our focus is on health care and that the company has determined climate change risk has minor and unlikely immediate potential business impact, the potential risk exposure has been determined to be at an acceptable level.

Health Alliance's ERM department regularly reviews emerging risks for potential risk assessment. Once a risk is identified, a risk assessment is completed in our GRC software platform, LogicGate, which captures risk scoring for impact and likelihood on a 25 point scale. The impact and likelihood of each risk is evaluated across 7 categories: financial, corporate, reputational, staff, member, regulatory and legal.

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

**ANSWER:**

Health Alliance ERM Committee does not have any formal risk assessment for climate-related risks at this time. However, if one were to be identified and assessed, they would then be monitored by KRI metrics and residual risk scoring analysis through our GRC software platform, LogicGate.

See above description of the Carle Health Sustainability Committee and all other efforts to manage climate-related risks at this time.

*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.

**ANSWER:**

As noted above, Health Alliance's ERM department regularly researches emerging risks in climate-related and ESG areas from a variety of industry standard resources. Any identified and assessed risks would then be integrated into the overall ERM processes for identification of mitigating controls and KRI metrics, monitoring, scoring, and analysis toward mitigation. The ERM Committee meets quarterly to review the status of all risks in the risk registries, as well as emerging risks.

**Metrics and Targets – narrative**

*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.

**ANSWER:**

Given our focus is on health care and that the company has determined climate change risk has minor and unlikely immediate potential business impact, the potential risk exposure has been determined to be at an acceptable level. However, as stated, the company regularly assesses and reviews emerging risks to ensure adequate protection for company policyholders and that company assets meet regulatory thresholds.

*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)

**ANSWER:**

Given our focus is on health care and that the company has determined climate change risk has minor and unlikely immediate potential business impact, the potential risk exposure has been determined to be at an acceptable level. However, as stated, the company regularly assesses and reviews emerging risks to ensure adequate protection for company policyholders and that company assets meet regulatory thresholds.

*B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.*

**ANSWER:**

Carle Health is working on strategies to be able to reduce greenhouse gas emissions for that what we can control. Many of the strategies that we have implemented is a direct reduction in GHG and will continue to look for more opportunities.

*C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.*

**ANSWER:**

There are no targets used by the organization at this time to manage climate-related risks.