

NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2022
Blue Cross Blue Shield of Michigan enterprise

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.

Blue Cross Blue Shield of Michigan has defined and prioritized environmental sustainability through the company's Code of Business Conduct, committing publicly to operate in an environmentally responsible manner; recognizing that the organizational key values of environmental sustainability and social responsibility impact our performance and outcomes.

It reads as follows: ENVIRONMENTAL SUSTAINABILITY | The Company is committed to operating in an environmentally responsible manner. Our facilities and practices aim to reduce our impact on climate change and conserve resources.

The Blue Cross Enterprise Risk Committee of the Board oversees BCBSM's risk management function. BCBSM's risk management framework utilizes an extensive process to identify priority risks that pose the most significant potential financial impact to the enterprise. A confidential detailed assessment of priority risk is produced annually and supplied to Michigan's Department of Insurance and Financial Services in BCBSM's Own Risk and Solvency Assessment (ORSA).

The BCBSM Enterprise Risk Management Department manages the risk management framework and is led by our Chief Risk Officer. Priority Enterprise Risks and the risk management framework are at a group level.

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.

Blue Cross and subsidiaries manage and monitor hundreds of potential risks, all outlined in the ORSA report. While climate change is a risk on a variety of factors, the impacts of climate change on health outcomes are increasingly being discovered.

While climate change is not an explicit risk factor, nor directly outlined in the corporate long term strategies as a risk or opportunity, it may contribute to other priority risks such as benefit costs, health outcomes, health care pricing, and investment portfolio detailed in the enterprise ORSA report filed annually with DIFS. These are all heavily governed and meet standard industry accounting practices.

In addition to the corporate Code of Business directive available publicly, BCBSM established a Blues Go Green initiative to decrease our carbon footprint and preserve the environment. Efforts include:

- Installed a 200-kilowatt solar energy system on the roof of BCBSM's four-story parking structure located at the corner of Congress and Beaubien, helping avoid adding 750 metric tons of carbon dioxide emissions.
- Additionally, the parking garage has an elaborate rainwater collection system, allowing us to recycle rain and irrigation water to maintain our Detroit campus' grounds.
- Blue Cross has taken significant action to reduce corporate printing and move to an electronic format, digitized many health records, prioritized email over printed memos and begun offering paperless/electronic explanations of benefits to our members. The last option alone helped save more than 1,600 trees in just one year.

The Blue Cross Blue Shield of Michigan Foundation has also made [charitable contribution investments](#) in the environment, partnering with the Detroit Eastside Community Network (ECN). A Community Health Matching Grant from the Foundation has helped equip ECN with

more resources to help flatten climate health inequities in Detroit's underserved and low-income communities; with the goal of equipping partners with the knowledge and resources necessary to respond to the climate crisis in Detroit's most vulnerable communities.

In addition to employee education on reducing printing and minimizing the carbon footprint, BCBSM maintains and publicizes a public facing website that includes news and information for members. This includes articles and tips on how to live a healthier life, with climate examples including: [How Hot Weather Affects Chronic Health Conditions](#) and [How Hot Weather Affects Individuals with Depression](#).

The enterprise has not thoroughly assessed additional scenarios, such as a 2 degree Celsius scenarios, at this time.

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.

All risks, including potential impact posed by climate-related risk, are intended to be identified and managed through our overall risk management framework. BCBSM's risk identification process is integrated and collaborative. Input is gathered from multiple sources to compose a comprehensive view of the internal and external environment. Enterprise Risk Management partners with the Office of the General Auditor and Corporate Compliance and the Model Audit Rule department to conduct an annual, comprehensive risk assessment process.

BCBSM's risk management is reviewed annually and is based on the COSO framework. BCBSM continues to manage medical costs through underwriting criteria. The criteria include product design, negotiation of competitive provider contracts and care management programs. Total medical costs are affected by the number of individual services rendered, the cost of each service and the type of service rendered.

Factors that may impact medical costs include medical cost inflation, increased use of services, increased cost of individual services, costs to deliver care, large-scale medical emergencies, the potential effects of climate change, pandemics, the introduction of new or costly drugs, treatments and technology, new treatment guidelines, newly mandated benefits or other regulatory changes and insured population characteristics.

BCBSM's risk identification process is integrated and collaborative. Input is gathered from multiple sources to compose a comprehensive view of the internal and external environment. ERM partners with the Office of the General Auditor and Corporate Compliance (OGACC) and the Model Audit Rule (MAR) department to conduct an annual, comprehensive risk assessment process. The investment portfolio is managed within the investment guidelines, as approved by the Finance Committee of the Board, which are also regulated by the Michigan Insurance Code. These regulations help ensure adequate diversification and limit risk so insurers remain solvent and able to pay policyholder claims. Statutory filings include an itemized list of all investments bought and sold during the reporting period to give regulators a comprehensive view of investment activity.

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.

At this time, there are no relevant or direct methods to disclose. However, as noted above, impacts will continue to be assessed indirectly as industry measurement standards are established.

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