NAIC Climate Risk Disclosure Survey – Reporting Year 2022:

Background:

All insurance companies licensed in the State of Washington and who collected direct written premium amounts of more than $100M during 2022 must respond to the survey by August 31, 2023. This survey aligns with the guidelines of the Task Force on Climate related Financial Disclosures (TCFD). The TCFD standard is the international benchmark for climate risk disclosure and the intent of this survey is to help insurance regulators and the public to better understand the climate-related risks to the U.S. insurance market. Climate Risk Disclosure Survey responses are available to the public.

The survey includes four categories: Governance, Strategy, Risk Management, and Metrics and Targets. For each section of questions, there is a corresponding section in the survey for a CHPW response. Below is a table that includes the survey questions and a draft CHPW response.

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<tr><th>NAIC Climate Risk Disclosure Survey</th></tr>
<tr><th>Governance Questions</th></tr>
<tr><td>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.</td></tr>
<tr><th>CHPW Response to Governance</th></tr>
<tr><td>The Audit Committee has governance responsibility for risk oversight and monitoring of the organization. This includes climate related risk if the risk is deemed a material enterprise risk. CHPW has not made any publicly stated goals on climate risks or opportunities. Because CHPW is a single state entity we only have one level.

To date, management has not specifically identified climate related risk as a significant risk. The risks that may arise from climate are managed within the overall risk management framework as described in ORSA and other documents.</td></tr>
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Strategy Questions
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.
CHPW Response to Strategy
Management has not specifically identified climate related risk as a significant enterprise risk or opportunity. To date, we have not taken steps to engage key constituencies on the topic of climate and resiliency. We have transitioned from an organization where 90% of the workforce traveled from across the Puget Sound region to the Seattle office to an organization with over 90% of the workforce working remotely either in a fully remote capacity, rarely if ever coming to the office, or a hybrid environment with staff coming to Seattle approximately two times per week. This has reduced carbon emissions by eliminating those physical commutes by staff. In addition to this change in how the workforce completes the work, we have also migrated much of our communication from mail to electronic delivery saving on the number of letters or other packages that are physically mailed to members or providers.

We do support the use of telehealth services which could reduce the number of physical visits to the provider. It is still unclear what the long-term trend is both in terms of provider openness to telehealth services as well as with members interest in receiving care via telehealth over a more traditional visit. It is also not clear yet if the outcomes are similar between a more traditional visit and a telehealth visit. We have been supportive of telehealth parity and are also making an investment in digital navigation services to ensure those who do not have access to the internet or stable cell services both have access and know how to use those services.

To date we have not identified a significant risk associated with climate and, in turn, have not identified an impact on our business, strategy or financial plans.

Our definitions of short, medium, and long-term are in sync with those noted. To date, we have not specifically considered climate related scenarios that include a two degree Celsius or lower occurrence.

Risk Management Questions

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.

CHPW Response to Risk Management

All enterprise risks are considered and managed through the enterprise risk management process. At least annually, management assesses and ranks enterprise risks as part of ORSA (also described in the CHPW/CHNW ORSA Summary Reports). For the top enterprise risks, financial scenarios and implications are modeled. For the highest ranked risks, risk management plans are documented and assigned executive owners. The risk management plans list actions to be taken to manage risk based on the tolerance levels. To date, climate related risks have not been ranked at a level considered to be material for the organization. However, if climate risk was identified as a material risk, risk scenario modeling would be completed.

With respect to the underwriting portfolio, management monitors emerging climate research quarterly, which primarily includes reviewing references collected by the Society of Actuaries. The Actuarial team considers climate risk and its impact on the underwriting portfolio.

As it relates to physical risk, climate degradation could have an impact on member health care needs, which can translate directly into financial impact for CHPW. Given the regulatory environment, we are more likely to take climate-related risk into account as adjustments to traditional rating factors, rather than introducing independent factors. To date, we have not made any specific climate risk adjustments to our traditional rating factors, although emerging climate issues may be implicitly reflected as we look at the evolution of historical trends. For better or worse, health insurance risk is frequently viewed on an annual basis – from the perspective that premiums are updated generally on an annual basis – so that we do have an opportunity to correct course if needed, should a climate-related event affect our experience. For example, we have seen research that suggests that more than half of infectious disease is exacerbated by climate change. To the extent that this happens over time, we will see an impact on claims experience, which will then be built into future premiums. There is a lag risk, particularly in the event of a catastrophic climate event with immediate morbidity impact (such as a weather disaster), but we are not in a position to predict such an event with any degree of accuracy.

The chief component of transition risk that may impact CHPW is whether there are changes in member behaviors during the transition to a less carbon-intensive environment. Similar to physical risk, this would likely emerge over time in the claims experience, and the potential impact is not clear in terms of magnitude or direction. For example, member behaviors may transition to more climate-friendly activities, such as substituting walking and bicycle riding for automotive transport. This would tend to improve member's health and reduce health care expense.

With respect to liability risk, it is undetermined how climate change would affect liability risk from an underwriting perspective. Our initial inclination is that liability risk for insurers during the regular course of business far outweighs any potential impact of climate change.

Regarding the investment portfolio, CHPW's primary investment manager considers carbon emissions as a part of its overall risk assessment and decision-making process. Furthermore, individual issuers are evaluated to determine whether a significant percentage of their revenues and business practices involve sustainability risks that would be detrimental to financial performance. Additionally, carbon-emissions reduction or elimination trajectories are considered within a company's overall risk posture.

CHPW's primary investment manager has been assessed, both qualitatively and quantitatively, along a variety of environmental, social, and governance (ESG) issues. Climate risk processes were included in the assessment along with an evaluation of additional ESG policies in place.

- Bottom-up, quantitative measures of ESG risk and opportunities within CHPW's portfolio holdings were compared against relevant benchmarks by strategy using a third-party leading ESG scoring vendor.
- This was combined with a qualitative ESG investment manager assessment of CHPW's primary, non-indexed investment manager, which is a top-down analytical tool addressing an investment manager's ESG-focused policies and procedures.
- To determine if investment managers are applying ESG criteria throughout their overall activities, the manager was asked a series of questions aimed at understanding their internal and external ESG philosophies. These questions were scored against an objective standard.
- The questions addressed, among other related areas, ESG integration within the portfolio, including climate risk considerations.

CHPW's investment portfolio managers will be re-evaluated on an on-going basis for changes in their ESG integration processes, including climate risk. This quantitative and qualitative analysis is updated annually.

Risk Metrics and Targets Questions

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.

CHPW Response to Risk Metric and Target Questions

Annually, for the highest rated enterprise risks, risk scenarios are developed, and financial models are created to reflect the scenarios. These scenarios primarily impact enrollment projections to varying degrees. Depending on the scenario, additional assumptions are incorporated into the financial models to account for changes in premium rates, healthcare expenses and general and administrative expenses. The models are developed using the Finance department's actuarial and forecast applications and assess the financial impact and position compared to premium-to-reserve ratios and statutory equity.

We have yet to identify climate risk as a material risk. As such, we do not have metrics established specifically for climate related risks and opportunities.