

## **Devoted Health, Inc 2023 NAIC Climate Risk Disclosure Survey**

Please see below for Devoted Health's response to the NAIC Climate Disclosure questions for the 2023 filing year.

### **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.*

Climate risks have the potential to impact human health, as well as business continuity and investments. The organization will monitor these risks as a component of the Environmental, Social, and Governance (ESG) policy and practices across the company.

At this time:

- Devoted has not publicly stated goals related to climate risks and opportunities.
- Oversight of all ESG matters, including climate risk, is a function of the Board of Directors (BOD). Operationally, a cross-functional ESG Working Group, reporting first to the operational Risk Committee and, ultimately, the BOD, manages climate as a component of the overall risk management for the organization.
- Devoted's cross-functional ESG workgroup includes representation from Compliance, Enterprise Risk Management (ERM), Finance, Legal and People operations, empowering them to lead and manage the company's ongoing ESG work and strategies.

### **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.*

According to the World Health Organization (WHO), "Climate change presents a fundamental threat to human health. It affects the physical environment as well as all aspects of both natural and human systems – including social and economic conditions and the functioning of health systems." and that "it remains challenging to accurately estimate the scale and impact of many climate-sensitive health risks." These threats include air quality concerns, rising temperatures, and the potential for extreme weather events (and the aftermath).

As a healthcare payer and provider, Devoted may experience the impacts of climate change in regard to membership, providing care, and claim expenses. Changes in mortality rates may impact our membership, as well as increase the need for healthcare coverage to contend with increasing health concerns. Our providers will have responsibilities for diagnosing and treating patients with these health concerns. And finally, we may see claims expenses increase in relation to rising chronic illness related costs, increased frequency of acute health events exacerbated by climate change, and the potential for disease outbreaks in some geographies (e.g. vector borne diseases).

Climate risks also have the potential to impact business continuity and investments.

Devoted:

- Has adopted an ESG policy which includes governance responsibilities for the Board of Directors.

- Has also established an ESG workgroup charged with defining and operationalizing ESG strategies and goals, inclusive of climate risks.
- Regularly engages with stakeholders on ESG matters, including climate risk and resiliency.
- Has assessed scope 1 and 2 greenhouse gas (GHG) emissions.
- Offers products and services (health insurance, health care and navigation services) that are not targeted to support the transition to a low carbon economy or help customers adapt to climate-related risk, but can be compatible with those efforts
- Has not made targeted investments to support the transition to a low carbon economy.
- Has not yet considered specific climate-related scenarios as a component of the organization's evolving strategy / resilience.

## **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.

Devoted offers Medicare Advantage products, with no applicable underwriting and does not offer products where policy owners must manage potential physical and transition climate related risks. Climate risks are also not currently considered in our investment portfolio.

An ERM framework is in place to regularly identify and assess risks to the organization. The ERM program enables the organization to identify, assess, and respond to risks and opportunities in support of achieving our mission.

Devoted's ERM program objectives include:

- Developing a greater understanding of Devoted's portfolio of risks and their significance to strategic objectives;
- Enhancing accountability and responsibility by embedding risk awareness and management in Devoted's culture; and
- Obtaining better control over unanticipated outcomes by implementing controls and other performance optimization techniques.

Devoted's ERM framework consists of five core components aligned with the 2017 COSO ERM Framework:

- Governance & Culture
- Strategy & Objective-Setting
- Performance
- Review & Revision
- Information, Communication, & Reporting

As part of the ERM framework, an enterprise-wide risk assessment is performed at least annually. This assessment considers both external and internal sources when identifying risks to key organizational strategies and objectives. During the assessment, risks are prioritized based on (1) impact and (2) likelihood of occurrence. Standardized scales are used to reflect both quantitative and qualitative considerations. Risks with high impact and likelihood are designated as key risks for the Company. Risks with lower impacts and/or likelihood of occurrence are not considered key enterprise risks.

This framework is inclusive of climate-related risks; however, climate risk is not considered a key risk for the organization at this time. As such, no targeted scenarios are utilized to consider climate-related risks (over any timeframe) at this time.

Devoted submits an annual Own Risk And Solvency (ORSA) assessment report to applicable regulators further outlining the ERM process, key risks to the organization, and the financial implications of those key risks based on deterministic scenarios.

## Metrics & 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.*

The consulting group Green Project measured Devoted's Scope 1 and 2 GHG inventories for our internal operations in 2022. We continue to undertake efforts to reduce our greenhouse gas emissions in our operations where applicable and reasonable.

At this time, GHG Scope 1 and Scope 2 are the only metrics being measured related to Devoted's climate risk.

Devoted:

- Has not performed catastrophe modeling to manage the climate-related risks as the risk is not currently key for the organization and the organization does not have significant climate exposure to any specific business lines, sectors, or geographies.
- Has not set targets to manage performance against related to climate risks or opportunities.