

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.

IHBC Response:

1. Climate risks are incorporated into the enterprise risk management framework under the same governance and process as other enterprise-level risks. It is defined, assigned internal ownership, assessed and prioritized. The Enterprise Risk Management function tracks climate change activities (to mitigate financial impacts) internally and periodically reports on them through the Risk Work Group and Risk Governance Council. Routine interactions with internal climate change partners at Independent Health on risk movement and reassessment informs the approach as well as revisiting best practice guidance.

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.

IHBC Response:

1A. Independent Health's climate change strategy and progress is first reported to the Risk Governance Council, comprised of executive-level leaders, following our formal risk governance structure, and then on to the chair of the Risk & Compliance Committee of the Board of Directors. The Chair of the Risk & Compliance Committee is responsible for board-level oversight of Independent Health's climate change strategy.

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

IHBC Response:

1B. Management's role is to first understand climate change pervasiveness and impact on our community and as a regulated entity, then to align our internal efforts within our Risk Appetite and into each business function that is a stakeholder affecting our climate change response efforts.

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. *

IHBC Response:

2. Actual and current potential impacts of climate-related risks and opportunities are assessed to be immaterial to Independent Health due to the nature of our business and the region we live in.

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.

IHBC Response:

2A. Short term climate related risks and opportunities include medical management impacts (as further described in 2B), serving diverse social determinants of health needs in our community, and the impact of a reduced footprint attributable to our primarily virtual business model. This virtual model allows for substantial reduction in travel/commuting to and from the office for all employees, as well as consolidates our building use for a more sustainable footprint. Our strategy also includes the provision of bicycles for use on our campus. Medium term risks include investment fluctuations, while long term risks in New York State center around the renewable energy guidelines for new residential and commercial buildings (by 2030) that could impact our membership projections if populations were encouraged to seek alternative locations to build.

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.

IHBC Response:

2B. Operationally, multiple levels of best practice plans address 'all-hazard' contingency scenarios. The threat assessment process is engaged in disaster scenarios such as an extended heat wave or snowstorm. The Business Continuity Office (BCO) works closely with local emergency management to identify members at-risk in climate related disasters. From the medical management side, our company regularly identifies and outreaches to our vulnerable members for case management in weather events & non-weather events. For all lines of business, social determinants of health are addressed for those members whose needs align. Physically, anticipated climate risks include damage to one or more of our buildings in Western New York, extended power outages impacting our operations, members' access to healthcare during a climate event, as well as members continuing to receive high-quality care during a climate event.

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

IHBC Response:

2C. As of this reporting date, Independent Health's climate strategy would largely remain the same within a 2-degree Celsius scenario. At minimum, our Risk Appetite is revisited periodically, vulnerable member outreach is further enhanced, and partnerships with community organizations are further developed to continue to help fill any gaps for climate change impacts to those identified members.

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.

IHBC Response (3,3A,3B,3C):

3, 3A-C. The Enterprise Risk Management function tracks climate risk activities (to mitigate financial impacts) internally and periodically reports on them to the Risk Work Group and Risk Governance Council. Routine interactions with internal climate change partners at Independent Health on risk movement and reassessment informs the approach as well as revisiting best practice guidance. Stakeholders include Health Care Services, Facilities, Business Continuity Office, Finance, Actuary, and the Foundation to name a few. Climate risk is also outlined qualitatively within Independent Health's annual ORSA report, which considers risks to our financial position.

Climate risk is incorporated into our risk management framework as any industry risk would; defined, (see above response to #1) assigned internal ownership, assessed with all stakeholders (some named above here in #3) and prioritized at a corporate-level. The same risk response cycle is followed.

Regarding investment management, Independent Health utilizes investment advisors across a variety of fixed income and equity portfolios some of which keep ESG including climate change at the forefront of their investment philosophies. Independent Health maintains a diversified portfolio of highly-rated fixed income and equity holdings, managed by a variety of investment

managers. All investments are monitored for adherence to investment policies which establish strict thresholds for form, duration, and creditworthiness. As part of our risk-based capital assessment we quantify the risk of a concentration of resources with any one issuer. Assets identified in this calculation approximate 1% of cash and invested assets. Issuers in this analysis are mostly banks and municipal authorities, which pose low risk and are subject to their own regulations. Independent Health reviews its portfolios looking for any other concentrations, focusing on industries or geographic regions that may be particularly sensitive to adverse climate change events. We found no concentrations of in this area, noting approximately 75% of all holdings are backed by the full faith and credit of the United States government, in municipal holdings and divisions throughout the United States, or in diversified mutual funds tied to widely used indexes.

3A (con't). From a medical management financial impact, IH annually reviews actual and expected medical costs during snowstorms (and heatwaves, added in 2024) in our central coverage area in Western New York. This showed normal medical utilization patterns.

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.

IHBC Response:

4. Actual and current potential impacts of climate-related risks and opportunities are assessed to be immaterial to Independent Health due to the nature of our business and the region we live in.

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.

IHBC Response:

4A. Our continued monitoring and awareness of financial impacts from climate change and our sustainability efforts are also aligned with our corporate Risk Appetite.

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

IHBC Response:

4B. Independent Health produces emissions only during required weekly maintenance, semi-annual service, and utilization of our six (6) generators in the event of electricity backup, as well as in the operation of our 5 company vans (efficient utilization efforts in place). LEED best practices for 'green' design are followed as feasible when designing general office and data center spaces. We continue best practices to monitor regulations and state developments that would affect our building operations systems and equipment.

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

IHBC Response:

4C. Independent Health will monitor the emerging material financial impacts from climate change and the need for routine metrics for continued reporting within our governance structure, if the need arises.

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