2024 NAIC CLIMATE RISK DISCLOSURE SURVEY

EmblemHealth Family of Companies

Due August 31st, 2024

GOVERNANCE

Narrative

1. **Disclose the insurer's governance around climate-related risks and opportunities**.

   In disclosing, 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.

The **Audit, Finance & Investment Committee (AFIC) of the Board** is responsible for overseeing climate risk as part of its oversight of the company's Enterprise Risk Management (ERM) Program. The AFIC is provided the results of the company's annual determination of materiality alongside the assessment of climate risk conducted with members of senior leadership (using a structured assessment approach used for all key enterprise risk areas), helping to ensure they understand all relevant climate risks / threats and the company's mitigation of risk.

Central to the ERM Program is the **ERM Executive Committee**, (ERM EC) which makes key ERM Program decisions, assesses Core Enterprise and emerging risks, and monitors risk mitigation efforts / key controls, including the progress of high-impact risk actions in concert with other accountable business owners / leaders and, where applicable, Internal Audit leadership. The ERM EC is required to meet quarterly, however they are typically meeting nearly monthly to discuss and align on important risk topics or decision points through the year.

At least one Senior Leader who is a member of the company's ERM EC is assigned as a 'risk lead' for climate risk; as such they are a lead participant in an annual determination of climate risk materiality and formal assessment of climate risk, and they take a lead role in working with the ERM EC as a group to determine if and where action is needed to strengthen the company's assessment, management and/or monitoring of climate risk. Currently the **CFO (Heather Tamborino) and President, COO (Mike Palmateer) are ERM EC risk leads** for climate risk.

The company currently has the level of **skill, expertise and knowledge** needed for the assessment and management of climate risks. The company annually revisits the degree of skills / expertise needed during its materiality determination and risk assessment process.

Currently the company does not **publicly state formalized goals** specific to climate-related risks and opportunities nor does it have any formally announced **climate disclosures or commitments** beyond this survey; however, in the event that the company decides to have these, they would be established and overseen with support from the AFIC and ERM EC.

Closed Ended questions:

- Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y/N)

  NO – As noted in the above narrative, currently the company does not publicly state formalized goals specific to climate-related risks and opportunities nor does it have any formally announced climate disclosures or commitments beyond this survey; however, in the event that the company decides to have these, they would be established and overseen with support from the AFIC and ERM EC.

- Does your board have a member, members, a committee, or committees responsible for oversight of managing the climate-related financial risk?

  YES - please see context/ explanation in above narrative.

- Does management have a role in assessing climate-related risks and opportunities? (Y/N)

  YES - please see context/ explanation in above narrative.

- Does management have a role in managing climate-related risks and opportunities? (Y/N)

  YES - please see context/ explanation in above narrative.

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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.**

   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, insurers should consider including the following: Define short, medium, and long-term, if different than 1-5years as short term, 5-10years as medium term, and 10-30years as long term
  - B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning. In describing, 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

The company currently determines **climate-related risks & opportunities to be immaterial** to its business, strategy and financial planning.

The company **annually assesses the relevance and significance of actual and potential climate-related risk exposures to the company as part of a formal risk assessment and materiality determination exercise** facilitated as part of the ERM Program. This assessment and materiality assessment takes into consideration all possible types of risk (physical, transition, etc.) and all possible impacts from risk (including all NAIC risk factors). When climate risks or opportunities are deemed material, company leadership will develop **formal action plans** to pinpoint specific areas of materiality and address concerning exposures.

With regards to **engaging key constituencies on the topic of climate risk and resiliency**, the company's annual climate risk materiality determination and assessment is shared with the **Audit, Finance & Investments Committee (AFIC) of the Board**. When any element of climate risk is determined to be material, the company will engage all relevant parties for full awareness of the risk, their role in risk management or action items. Meanwhile, the company does maintain a **business resiliency program** that addressed business interruptions that could occur from an assortment of threats, including those stemming from climate change. This program is communicated to all relevant parties.

Regarding **greenhouse gas emissions**, the company facilities comply with building codes for energy conservation on all new projects thus having the effect of reducing GHG in its operations. Further, facilities are preparing to comply with Local Law 97 as it applies to buildings over 25,000 square feet to meet new energy efficiency and greenhouse gas emissions limits by 2024 with stricter limits in '30

Closed Ended Questions:

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N)

  YES - please see context/ explanation in above narrative.

- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (Y/N)

  YES – the company offers and continues to look for ways its customers can support the environment through digital options, such as the ability to opt out of receiving hard copy documentation via mail, removing fax options and instead leveraging digital documentation through the company portals, emailing, etc.

- Does the insurer make investments to support the transition to a low carbon economy? (Y/N)

  YES – the company has invested in ways to support a low carbon economy, such as maintaining its facilities to minimize impacts, increasing digitization vs. physical documents in offices with/ to members and partners, and implementing a remote work program. The company annually revisits the need for investments based on the relevance and significance of emerging climate risk exposures & opportunities as part of its annual risk assessment & materiality determination process

- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)

  YES – As noted in the above narrative, regarding greenhouse gas emissions, the company facilities comply with building codes for energy conservation on all new projects thus having the effect of reducing GHG in its operations. Facilities are preparing to comply with Local Law 97 as it applies to buildings over 25,000 square feet to meet new energy efficiency and greenhouse gas emissions limits by 2024 with stricter limits in 2030.
  Also, the company's move to digitation v. physical documents (i.e., minimizing transportation of mailings) and its remote work program (i.e., minimizing vehicle emissions) help contribute to GHG emission mitigation.

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RISK MANAGEMENT

Narrative

3. **Disclose how the insurer identifies, assesses, and manages climate-related risks.**

In disclosing, 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, 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, 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.

The company considers climate risk to be an important and evolving risk area to always keep on its 'radar screen' and takes an **approach to climate risk that is proportionate to its business and the realistic risk exposures / threats climate change presents to its business**. The company **re-evaluates its approach at least annually**, taking into consideration relevant changes to its business, climate requirements/ guidelines, and the overall relevance, significance and materiality of the climate change risk landscape on the company. When meaningful changes to any of the above elements occur or are anticipated, the company will reposition its approach as needed to ensure the company's approach continues to be proportionate to its business and realistic risk exposures / threats, and material climate change exposures are able to be surfaced timely and managed appropriately.

Climate risk is **assessed and managed using the company's established ERM Framework**, as are all key, important and relevant enterprise-level risk areas. The ERM Framework is built on a **strong risk culture** that clearly **defines key roles/ responsibilities** and prioritizes **accountability** as it relates to the management of key risks, including climate risk as needed.

To ensure climate risk always stays on the ERM Executive Committee (ERM EC) 'radar screen' for regular and formal assessments and monitoring, the ERM EC intentionally keeps climate risk on its annually refreshed list of 'Core Enterprise Risks' which, by definition, requires an **annual assessment and ERM EC monitoring through a calendar year**.

Meanwhile, as leadership develops corporate strategies and makes key business decisions, the ERM EC members ensure all **meaningful potential risks to those strategies and decisions are considered and discussed**, which would include climate risk when applicable and relevant.

The ERM Team conducts a **formal materiality determination exercise annually** of climate change with senior leadership members identified as lead/ primary risk owners, using the **NAIC Examiners Handbook** benchmark of .5% of total assets alongside professional judgement and circumstances. The results of this materiality assessment are used to help determine the need for critical changes in the company's approach to climate risk management and / or actions to address material exposure concerns.

If a particular risk exposure is determined material, leadership will perform a more **in-depth assessment** on that exposure, closely evaluating the extent and likelihood of all reasonable threats, current risk mitigation in place and opportunities to strengthen mitigation under **short-, medium- and longer-term time horizons**. This assessment will leverage as much **quantitative information** as possible to the degree appropriate.

The **ERM EC and AFI Committee of the Board will review all areas of materiality** and align on (a) **action plans** needed to address concerning exposures, and (b) changes needed to the company's approach to climate risk management to continue to ensure that approach is proportionally appropriate to the levels of risk.

Regardless of materiality, at least annually leadership completes the ERM Program's '**standard risk assessment process'** for climate change (the same process used for all Core Enterprise Risks). The assessment activities include:

- leveraging, considering the **relevant risk scenarios and threats/impacts** surfaced during the materiality determination exercise, adding to these if applicable
- scoring overall risk **mitigation efforts**, highlighting key risk mitigation activities currently relied upon
- setting an overall **risk appetite/ target**, and scoring overall risk exposure relative to that target, taking into consideration current mitigation activities
- determining if the risk exposure or notable **contributing factors** (pain points) warrant action, then developing **action plans** accordingly

Closed Ended Questions

- Does the insurer have a process for identifying climate-related risks? If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N)

  YES – climate related risks are addressed through the company's Enterprise Risk Management Program; please note additional context/ explanation in above narrative.

- Does the insurer have a process for assessing climate-related risks? If yes, does the process include an assessment of financial implications? (Y/N)

  YES – the process for assessing climate related risks includes an assessment of financial implications; please note additional context/ explanation in above narrative.

- Does the insurer have a process for managing climate-related risks? (Y/N)

  YES - please note additional context/ explanation in above narrative.

- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)

  YES – the company considers the relevance and significance of climate-related risks & impacts to its underwriting portfolio as part of its annual climate risk assessment and materiality determination process. Also, as part of our medical and care management programs, we assess prevalence of chronic conditions that may be linked to climate (COPD, asthma, etc.), and deliver care management to our members to improve their health outcomes

- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)

  YES – the company has a variety of communication and wellness programs to help ensure members have knowledge and tools to live a healthy lifestyle, and this can include managing health hazardous effects that may be linked to climate (COPD, asthma, heat stroke, etc.)

- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)

  YES – the company considers the relevance and significance of climate-related risks & impacts to its investment portfolio as part of its annual climate risk assessment and materiality determination process, and its portfolio management function that includes periodic ESG (Environmental, Social & Governance) review/ scores, to determine and address underlying exposures within the portfolio

- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N)

  NO, not at this time, **as no climate risks are deemed to be material**. The company annually revisits the need for this based on the relevance and significance of emerging climate risk exposures & opportunities as part of its annual risk assessment & materiality determination process

- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N)

  NO, not at this time, **as no climate risks are deemed to be material**. The company annually revisits the need for this based on the relevance and significance of emerging climate risk exposures & opportunities as part of its annual risk assessment & materiality determination process

METRICS & 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, 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, 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.

Catastrophe modeling and metrics and targets specific to climate risks are not necessary at this time, due to the current immateriality of climate-related risks on the company. An annual process (described in answer to prior Question 3) is in place to (a) re-evaluate the determination of climate risk materiality, and (b) conduct an assessment of climate risk using a standardized approach for all risk areas as part of the company's ERM Program. The company leverages assessment and materiality results to identify if, where and how enhancements (such as modeling, metrics and targets) are needed in assessing, managing & monitoring risk.

With regards to disclosing Scope 1, Scope 2, Scope 3 greenhouse gas (GHG) emissions, and the related risks: as noted in answering prior question 2, **at this time the company does not quantify and report GHG emissions using any GHG Protocol Corporate Accounting and Reporting Standard for the three scopes; however, the company annually revisits the need based on relevance and significance**

Closed Ended Questions:

- Does the insurer use catastrophe modeling to manage your climate-related risks? (Y/N)

  NO - Catastrophe modeling is not being used and **not considered necessary at this time due to the immateriality of climate risks**. The company evaluates the need for modeling as part of its annual determination of climate risk materiality and climate risk assessment process.

- Does the insurer use metrics to assess and monitor climate-related risks? (Y/N)

  NO - Metrics are not being used and **not considered necessary at this time due to the immateriality of climate risks**. The company evaluates the need for modeling as part of its annual determination of climate risk materiality and climate risk assessment process.

- Does the insurer have targets to manage climate-related risks and opportunities? (Y/N)

  NO - Targets are not being used and **not considered necessary at this time due to the immateriality of climate risks**. The company evaluates the need for modeling as part of its annual determination of climate risk materiality and climate risk assessment process.

- Does the insurer have targets to manage climate-related performance? (Y/N)

  NO - Targets are not currently being used specifically for climate risks and they **are not considered necessary at this time due to the immateriality of climate risks**. The company evaluates the need for modeling as part of its annual determination of climate risk materiality and climate risk assessment process. As additional requirements emerge, more detailed metrics of performance will be developed and implemented to ensure compliance with regulatory requirements.