

NAIC CLIMATE RISK DISCLOSURE SURVEY  
TCFD-ALIGNED QUESTIONS  
REPORTING YEAR 2023

Blue Cross and Blue Shield of Vermont

1. **(Governance)** 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.

**RESPONSE 1**

The Board of Directors (Board) oversees all risks faced by Blue Cross and Blue Shield of Vermont (Blue Cross Vermont), including risks posed and created by climate change, through its involvement in strategic planning and engagement with the Company's Enterprise Risk Management Committee (ERMC). As part of its planning process, the organization develops a three-year strategic business plan that includes a summary of risks facing the organization and the risk mitigation strategies. Throughout the year, the Board receives a Risk Dashboard in advance of every meeting which summarizes whether escalated risks are increasing, mitigating or neutral as well as comments from management on the mitigating actions in place.

At least annually, the ERMC conducts an assessment of risks within Blue Cross Vermont's defined risk universe, considering all entities within the enterprise, to identify any risk, or combination of risk events, which could trigger the management to proactively address any such risk or combination of risk events, and to further identify emerging risks which may warrant heightened oversight. This assessment considers both the existing environment, as well as anticipated, significant, future drivers of change.

**Governance – closed ended questions answered in addition to the narrative**

- Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y/N) **no**

- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y/N) **no**

- Does management have a role in assessing climate-related risks and opportunities? (Y/N) **no**

- Does management have a role in managing climate-related risks and opportunities? (Y/N) **no**

2. **(Strategy)** 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.

## **RESPONSE 2**

While Blue Cross Vermont does not currently have a specific policy regarding climate change risk management and investment management, as a health insurance company, we are required to adhere to a strict federal and state laws and regulations. For instance, these requirements include:

- limitations on our capitalization,
- how much money we must have on hand, and
- the overall risk of each of our insurance pools.

Furthermore, each year, as required by the Affordable Care Act and state law, our premiums and other risks are evaluated through an open process with two state entities: the Department of Vermont Health Access, and the Green Mountain Care Board. Though currently not a explicit consideration, as more and more of Vermonters' health is impacted by the effects of climate change, we anticipate the overall health risks posed by climate change to percolate into our premium negotiations and risk management.

Blue Cross Vermont launched the Corporate Sustainability Committee (CSC) in 2015 to lead socially and environmentally responsible initiatives to improve our organization's energy efficiency, reduce overall environmental impacts, and create a "green" culture internally and externally. Blue Cross Vermont had already taken steps with waste reduction efforts, carpooling, using large water coolers and compostable cups allowing us to eliminate the use of single use bottles at all external events. Additionally, we have made changes to printing practices, switched to high-efficiency lights and improved mowing practices but the creation of the CSC significantly augmented our efforts already underway. More recently, in 2023 we have embarked on a project to replace all of the lighting, once again, with very high efficient LED overhead lights. That project alone has saved approximately 58,652 kWh in the first seven months of 2024. We established a working team that was cross-divisional and included all levels of the company. The team developed the following mission and vision to provide a roadmap for the work.

**Mission** - *We are committed to reducing our environmental impacts, building a culture of sustainability within the Blue Cross Vermont community of employees and creating a healthy future for our employees, clients, partners and community.*

**Vision** - *We endeavor to operate a business that both improves the environment and conditions in which we live and reduces our negative impacts on the environment around us.*

To this end, we have accomplished several projects since 2015, most notably, the installation of rooftop solar panels. In 2022, the system saved \$42,906, and more importantly, it generated 194,880 Kw/H of renewable energy. We have also:

- Installed water bottle filling stations throughout the building, which was coupled with a wellness campaign providing re-usable water bottles.

- Installed anti-idling signage in the parking lots and educated employees about the negative impacts of idling.
- Had all waste systems reviewed by the Central Vermont Solid Waste Management District.
- Improved internal catering practices with the development of “green meetings” where paper and plastic are not used.
- Improved composting efforts, which has reduced trash weight, yielding a savings in trash removal as well as providing clean feed for a local chicken farm. In 2019 we were awarded a certificate of environmental stewardship for diverting over 20,000 pounds of food scraps from the landfill.

During Covid, we created “How Green is Blue Day,” which is an annual celebration of all things green and provides a great opportunity to raise awareness about various sustainability issues both local and global. This celebration had originally been created as a virtual gathering, but we now intend to transition the celebration to an in-person event. We also run our own “Green Up, Clean Up” where employee-volunteers pick up trash from the surrounding roads. We have also partnered with other environmentally conscious organizations, such as: 1) the Vermont Institute of Natural Science (VINS) raptor program to educate our employees about environmental stewardship, and 2) Local Motion to learn how we can reduce our carbon footprint by bicycling to work. We hope to collaborate with other local/state entities to further our commitment to sustainable climate future.

As a result of the Covid-19 pandemic, our employees began transitioning to remote work in 2020. Our policy now requires (with some exceptions) that all employees within a 50-mile radius of our headquarters, be on premises at least 1 day a week (typically Wednesday). Given this change in work environment, we have expanded our efforts beyond our physical building to include more individual education and ways to be sustainable at home. Our sustainability tip of the month gives employees quick suggestions to improve their sustainable practices. Recent tips have included use of sustainable household cleaners, reducing energy costs in the home and sustainable ways to keep cool during our hotter than usual summers. We’ve also hosted multiple webinars and educational opportunities to employees that help them to be more sustainable in their everyday lives.

Our new hybrid work model is also beneficial to the environment. Most employees work from the office 1 day per week. This reduces commuting trips and the overall emissions from the use of our vehicles. Over the past 4.5 years we have reduced our building energy usage. In addition, we have seen our employees adjust their work habits to reduce printing and intentionally transitioned away from printing. The CSC has future plans that will continue to adjust and maximize on our new hybrid work model to further decrease our impact on the environment. Though it is noteworthy that because most Blue Cross Vermont employees are only in the office 1 day a week, there is limited improvement that can be expected with respect to office generated food scraps and trash.

### Strategy - closed ended questions answered in addition to the narrative

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N) **no**
- 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) **no**
- Does the insurer make investments to support the transition to a low carbon economy? (Y/N) **yes**
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N) **no**

3. **(Risk Management)** 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.

### **RESPONSE 3**

Climate risk is addressed through the CSC. This committee's focus is on reducing Blue Cross Vermont's overall environmental impact, increasing energy efficiency, supporting a green culture, both internally and externally, and educating and raising awareness about sustainability and climate risk throughout the company and within Blue Cross Vermont's broader customer base. The CSC has a broad-based purpose, which includes identifying and reducing the overall risk posed by climate change. Likewise, Blue Cross Vermont works with state and federal regulators to ensure that its overall capitalization is sound and adequately accounts for the impacts of climate change as it relates to consumers' overall health and consumption of healthcare-related services. Finally, Blue Cross Vermont has added new board members with specific experience and expertise in sustainability and addressing the impacts of climate change within the corporate environment

Blue Cross Vermont has done significant outreach to its policyholders to increase their sustainability practices and reduce the overall impact of climate change on their health. For instance, these initiatives include:

1. the creation of a Wellness Committee that focuses on employee health and outreaches to policyholders to engage in healthy sustainable practices to increase their overall health and reduce their carbon footprint;
2. ongoing campaigns related to recycling, composting, and anti-idling measures both internally and externally;
3. creation of an ambassador program regarding health, wellness, and sustainability; and
4. volunteer and other opportunities for employees and policyholders regarding Vermont green up day and other programs designed to protect the overall health of Vermont's environment, among other initiatives.

Our asset managers, as is industry practice, have always considered Environment, Social, and Governance (ESG) risks in the assessment of potential and existing investments. At this time, Blue Cross Vermont has not altered its investment portfolio guidelines in light of climate change. However, the Company has discussed the topic of ESG issues with respect to its investments with the Finance Committee and is working with its advisors in developing an ESG strategy. ESG scoring, tracking, and benchmarking is a rapidly maturing trend in the investment industry and Blue Cross Vermont will be working with available data to align its investment approach with its corporate mission.

As with prior years, Blue Cross Vermont anticipates an increase in the overall consumption of healthcare related services by consumers. Climate change may increase consumer demand for these services depending upon how the changing climate impacts Vermont. Blue Cross Vermont

continuously monitors the health of Vermonters to ensure it is adequately protecting against the risk created by climate change.

Depending upon the nature of the impact caused by climate change in Vermont, as noted above, consumers may increase their use of healthcare, and this may impact Blue Cross Vermont's liquidity and capital needs in the near and long term. Blue Cross Vermont monitors utilization trends, financial markets, and consumer trends and will adapt as impacts emerge.

Blue Cross Vermont has a contingency plan should its overall capitalization fall below a specific threshold due to a catastrophic climate event resulting in an increase in healthcare-related expenses by consumers. Finally Blue Cross Vermont understands that the impacts of climate change are unknown and constantly evolving. Blue Cross Vermont continuously monitors and revises its sustainability program through the CSC in light of overall climate trends.

#### **Risk Management – closed ended questions answered in addition to the narrative**

- Does the insurer have a process for identifying climate-related risks? (Y/N) **no**
  - o If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N) **n/a**
- Does the insurer have a process for assessing climate-related risks? (Y/N) **no**
  - o If yes, does the process include an assessment of financial implications? (Y/N) **n/a**
- Does the insurer have a process for managing climate-related risks? (Y/N) **no**
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable) **no**
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N) **no**
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N) **yes**
- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N) **no**
- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N) **no**

4. **(Metrics and Targets)** 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.

#### **RESPONSE 4**

While Blue Cross Vermont has not undergone a formal process of identifying current or anticipated risks posed by climate change, it fully understands that climate change will likely increase overall consumer demand for healthcare services. This demand may result in changes to state and federal regulations and may result in overall changes to the ratemaking and premium setting process. Blue Cross Vermont does not sell any insurance policies with a term longer than 12 months, which will allow Blue Cross Vermont to address any changes in claim patterns due to climate change over a reasonable time horizon. Blue Cross Vermont's ERM is likewise monitoring all risks faced by the Company, including the impacts of climate change, on the overall business and its employees. The Company also regularly develops policies and other initiatives to combat these impacts and risks.

Blue Cross Vermont does not currently engage in any climate modeling to determine the potential impacts of climate change on its business. As noted in answers to prior questions, Blue Cross Vermont is aware of and is taking some steps to mitigate the impacts of climate change on member and employee health.

Blue Cross Vermont is likewise committed to continually updating, refining, and changing its corporate policy through the CSC and ERM to ensure that the company is in the best position to mitigate the impacts of climate change.

As the health impacts of climate change are felt by individuals and employers, Blue Cross Vermont anticipates that those impacts will be addressed through the ratemaking and premium setting processes noted above. Blue Cross Vermont also engages consumers across the State through its CSC to ensure that consumers are up-to-date on climate risks for their area and to ensure that health-related risks posed by climate change are at the front of consumers' minds.

**Metrics and Targets – closed ended questions answered in addition to the narrative**



• Does the insurer use catastrophe modeling to manage your climate-related risks? (Y/N)  
**no**

• Does the insurer use metrics to assess and monitor climate-related risks? (Y/N) **no**

• Does the insurer have targets to manage climate-related risks and opportunities? (Y/N)  
**No**

• Does the insurer have targets to manage climate-related performance? (Y/N) **no**