

## NAIC Climate Risk Disclosure Survey

NAIC Number: 48330  
Company Name: Hawaii Management Alliance Association  
Line of Business: Health  
Group Filing: No

### **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.

### **Response for Governance**

HMAA relies upon its Third-Party Administrator (HWMG) and its Audit Committee to assist the Board of Directors in fulfilling its oversight responsibilities, including risk identification and monitoring.

The Audit committee reviews risk management concerns with the Board periodically and adjusts risk management oversight accordingly.

The 2023 Maui wildfire disaster did cause many employer clients located in the Lahaina area to go out of business or adversely impacted their ability to pay premiums. This subsequently had an impact on HMAA, which was managed by staying abreast of the situation and adjusting our protocols to address the needs of our clients and covered membership. The Audit Committee and HWMG have also adopted stronger disaster recovery protocols in preparation for potentially adverse impact on infrastructure as a result of hurricanes or other natural disasters.

## **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.

## **Response for Strategy**

HMAA's business objectives and strategies do not currently incorporate any climate-related risks beyond an impact to local infrastructure, but we realize potential risks may arise from new regulatory requirements, customer expectations, unexpected economic impacts, pandemics, etc.

HWMG, in its support of HMAA, has evaluated the physical risk of climate-related impact to its main office, located at CPB Plaza in Honolulu. Business continuity and disaster recovery plans are in place to mitigate possible climate-related issues given the location of Hawaii (e.g., tidal waves, hurricanes, coastal flooding and city infrastructure prone to problems) by relocating all core systems to a Host Disaster Recovery site located at Servpac, 200 Kahelu Avenue, Mililani, Hawaii. HWMG and HMAA also continuously monitor state-issued guidance communicated by the Hawaii

Emergency Management Agency, to assess risk level. In addition, all employees have the ability to work remote.

### **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.

### **Response for Risk Management**

HMAA's risk management plan is assessed on an ongoing basis by both its Third-Party Administrator (HWMG) and the Board of Director's Audit committee. Climate-related risks are generally considered to be low, except for potential interruptions to business operations, resulting in our use of the Host Disaster Recovery Site and annual exercises to recover data from historical back-ups.

HMAA engages in standard financial risk management programs such as excess loss and quota-share with A++ (AM Best) rated reinsurers to ensure catastrophic risks are properly managed, particularly in an environment of new costly medications and treatments for medical conditions. Overall, the underwriting impact tied to climate-related risks remains low.

HMAA has also engaged an investment advisor who functions as an external consultant in monitoring our investment portfolio throughout the year. Each month, our advisor meets with HMAA's Executive Committee to review results. Our advisor also provides assistance to HMAA in the ongoing evaluation of the total investment portfolio. For immediate reserve accounts, HMAA has established reserve accounts with five local financial institutions to ensure ongoing liquidity by this diversification.

### **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.
- 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 for Metrics and Targets**

HMAA's business objectives and corporate strategies do not currently incorporate any specific climate-related risks other than from a business operation perspective. Currently, neither HMAA nor HWMG have conducted an assessment for the use of certain metrics or targets related to climate-related risks or opportunities, but will continue monitoring the value of such going forward.