

NAIC CLIMATE RISK DISCLOSURE SURVEY

TCFD-ALIGNED QUESTIONS-(UPDATED 2022)

Submitted for all CareFirst insurance entities – August 30, 2024

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.

CareFirst BlueCross BlueShield is committed to reducing energy consumption, particularly from non-renewable sources, through a variety of initiatives as described in response to question 2.

CareFirst has created an employee resource group (ERG) called the Action on Sustainability, Climate Change, and the Environment (ASCE). This ERG champions meaningful programming on environmental issues and serves as a forum for CareFirst employees interested in, and passionate about, environmental sustainability. ASCE will serve as a change agent within the organization by addressing the intersection of the healthcare industry and environmental sustainability, environmental justice, and health equity.

CareFirst does not have any publicly stated goals around climate-related risks. It is unlikely that CareFirst will pursue publicly disclosed targets and that is for two reasons (1) the results of the Enterprise Risk Assessment conducted annually indicate the risk is low-impact, low-likelihood and (2) the results of the materiality assessment. In Q1 2024, the enterprise completed its first ever materiality assessment, which helped CareFirst affirm what environmental, social, and governance (ESG) topics are important to internal and external stakeholders. A variety of environmental topics were included in the assessment—none of which rose to highest-importance.

31 Total Topics (7 were environmental related):

1. *Biodiversity, Habitat & Land Use*
2. *Climate-Related Risks*
3. *Environmental Justice*
4. *GHG Emissions & Energy*
5. *Sustainable Buildings*

6. Waste Management

7. Water Management

All Board Members were invited to participate in a survey to assess the importance of the ESG topics. The Mission Oversight Committee (MOC), a sub-committee of the Board of Directors, was briefed on the progress and the end results of the materiality assessment. CareFirst's Chief HR Officer, Chief Risk Officer, and CEO's Chief of Staff are the champions for the materiality assessment.

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.

CareFirst has been actively engaged in Social Determinants of Health (SDOH) issues by advancing health equity and inclusion through proactive support, advocacy, and thought leadership for policies and programs that seek to protect the overall health and wellbeing of our members, associates, and communities. More discussion on SDOH is included below in our response to question 3.

CareFirst BlueCross BlueShield is committed to reducing energy consumption, particularly from non-renewable sources, through the following initiatives:

1. *Reducing the Company's overall physical office footprint via the ongoing workplace strategy*
2. *Supporting opportunities to transition to renewable energy sources for all office locations*
3. *Pursuing opportunities to virtualize CareFirst's server infrastructure*
4. *Leveraging energy efficiency measures, such as LED lighting and lighting controls, in new office buildouts and existing office operations*

5. Encouraging materials purchased for new office space to meet guidelines for reduced emissions, follow air quality guidelines, and promote pollutant source controls during construction
6. Deploying Energy Star certified (or equivalent) appliances and equipment in offices
7. Pursuing print services opportunities by reducing the overall printer fleet and upgrading to energy efficient printer equipment resulting in a reduction in electricity consumption.
8. Diverting waste from landfills through recovering, reusing and recycling materials from our office operations and new office buildouts

Additionally, CareFirst is participating NCQA's Carbon Footprint Project focus group, with up to 20 other health plans, to explore strategies and metrics for greenhouse gas reduction that can be broadly accepted and feasibly implemented by health plans and payers. Based on the results of the focus group, CareFirst may initiate additional efforts to pursue sustainability. This focus group will kick-off later this year.

Climate risk is included in the Risk Universe that is used to guide the risk assessment discussions and management surveys; however, CareFirst leadership has not identified climate change as one of the organization's top enterprise risks. Robust discussions of the enterprise risk assessment results are held with leadership across all Divisions within the organization. These discussions not only focus on the top risks that were identified during the process but also address why other risks were not deemed to be a top risk. The Audit and Compliance Committee annually plans and reviews the organization's enterprise risk assessment and reports the results to the Board of Directors.

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.

Our current investment policy allows investment managers to select securities which, in the Manager's assessment, show superior environmental, social, and governance practices or are determined by the Manager's internal assessment to be Green Bonds, Social Bonds, or Sustainable Bonds.

Medical care is estimated to account for only 10-20% of the modifiable contributors to healthy outcomes. The other 80-90% are social, economic, and environmental factors broadly called Social Determinants of Health (SDOH). The Centers for Disease Control and Prevention refers to SDOH as the "conditions in the places where people live, learn, work, and play that affect a wide range of health and quality of life risks and outcomes." SDOH can and do adversely affect any individual's life, regardless of race or ethnicity. However, many demographic groups—defined by gender, sexual identity and orientation, race and ethnicity, disability status, income level, and geographic location—disproportionately experience health disparities.

CareFirst understands that climate change is a key SDOH factor as it is playing an increasingly impactful role in the physical environment in which people live. More extreme weather, sea level rise, droughts, and other consequences of climate change will all have health impacts on people in our communities. These health impacts will be disproportionately felt by vulnerable communities, including people of color and those with lower socioeconomic status. CareFirst has been actively engaged in SDOH issues by advancing health equity and inclusion through proactive support, advocacy, and thought leadership for policies and programs that seek to protect the overall health and wellbeing of our members, associates, and communities.

The company has a process for identifying risks, including climate change-related risks, and assessing the degree that it could affect our business including financial implications. As noted in question two, CareFirst 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. As with prior years, CareFirst 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 our members in Maryland, Washington D.C. and Virginia. CareFirst continuously monitors the health of our policy holders to ensure we are adequately protecting against emerging risks, including climate change.

Also, as noted in question two, the organization's annual enterprise risk assessment process provides a mechanism to identify climate change and environmental impacts as a key risk. As the effects of climate change become more pronounced in our service area, it is expected that the enterprise risk assessment process would identify climate change as a significant risk to the organization. All top risks identified during the risk assessment process are analyzed and comprehensive action plans are developed and monitored.

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.

As noted in answers to prior questions, CareFirst is aware of and taking steps to mitigate the impacts of climate change on member and employee health. CareFirst does not currently engage in any climate modeling to determine the potential impacts of climate change on its business. If computer modeling becomes a requirement or the Company decides there is a business advantage to such modeling, it will undergo this type of analysis.

CareFirst 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. CareFirst does not sell any insurance policies with a term longer than 12 months, which will allow the organization to address any changes in claim patterns due to climate change over a reasonable time horizon. CareFirst's Enterprise Risk Management team is likewise monitoring risks faced by the Company, including emerging risks such as climate change, and continually assesses the potential impacts that these risks pose to the overall business and its employees. The Company regularly develops policies and other initiatives to combat these impacts and risks.

Additionally, CareFirst maintains comprehensive CGL, D&O, Property, and Pollution insurance programs that we believe are adequate to address our potential exposures to climate-related liabilities. This includes maintaining flood insurance for all properties that are within a flood hazard zone as noted on FEMA's flood maps. As the flood maps are updated, we would likewise modify our insurance program to cover those locations.

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