

NAIC Number: 49948

Company Name: Hawaii Medical Serv Assn

Line of Business: Health

Group Filing: N

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.

HMSA RESPONSE

HMSA understands the benefits of risk management and has created a risk governance structure and framework to effectively perform risk identification, communication, management, and monitoring to maintain a robust Enterprise Risk Management ("ERM") methodology. HMSA's Risk Governance structure promotes oversight of HMSA's Risk Management Framework, both of which are integral parts of the ERM methodology. The structure provides a means to foster risk management at all levels of the organization.

Per its charter, the Audit & Compliance ("A&C") Committee meets at least four times a year to assist the HMSA Board of Directors in fulfilling its oversight responsibilities for the ERM process, including the effectiveness of management's risk identification and monitoring processes. Further, the A&C Committee has delegated responsibility over risk and compliance activities, internal controls, and audit oversight. Thus, the A&C Committee grants final approval of the Own Risk and Solvency Assessment ("ORSA"). The A&C Committee reports its activities and shares information with the full Board of Directors. The A&C Committee grants final approval of the annual enterprise risk assessment, conducted with input from leadership from department-head management through President and Chief Executive Officer.

Department head-level management and senior executives participate in bi-weekly leadership staff meetings to facilitate effective communication throughout the organization. Topics include HMSA strategy, corporate initiate updates, and support the alignment of decisions with HMSA's strategy.

HMSA has a Risk Oversight Committee ("ROC"), comprised of representatives from business units with relevant and appropriate knowledge to monitor HMSA's key risks, that meets at least monthly. Quarterly, the ROC meets with the Chief Risk Officer and the Chief Financial Officer. The ROC's primary role is to serve alongside the company's ERM function by bringing focus to current business-level risk management practices at the operational levels. The ERM function defines, and the ROC actively monitors key ERM methodology elements.

Currently, HMSA does not anticipate any direct climate-related risks that may impact its strategy and operations; however, the organization does prepare a natural disaster-related scenario in its annual ORSA

report. The 2023 Maui Wildfires Disaster affected Maui members, especially those with increased acute and long-term health care needs, by exacerbating existing accessibility issues during a time when the local geographical area is focused on rebuilding its delivery system and economy overall. HMSA has monitoring in place to identify when Maui-based accessibility matters arise, to ensure timely and appropriate escalation and response follow.

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.

HMSA RESPONSE

HMSA's business objectives and corporate strategies do not currently incorporate any climate-related risks; however, several mechanisms are in place for risk identification such as the enterprise risk assessment, ROC activities, and A&C Committee input at the board level. Possible climate-related risks may arise from regulatory changes, competition or customer expectations, economic impacts, etc.

HMSA has evaluated the physical risk of climate-related impact to its main office, located at HMSA Center in Honolulu, Hawaii. Substantive impacts from a financial perspective have been evaluated and incorporated into the climate change ORSA scenario, which amount to a tolerable financial impact to HMSA's risk-based capital. Business continuity and disaster recovery plans are in place to mitigate possible climate-related issues typically seen as possible given the location of the Hawaiian Islands (e.g., hurricane, tidal wave, chronic coastal flooding). HMSA's Business Continuity function monitors state-issued guidance and climate-related studies, conducted by the Hawaii Emergency Management Agency, to assess risk level.

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.

HMSA RESPONSE

Leadership at the department head level and above take part in comprehensive enterprise-wide risk assessments, which are performed annually. Risks are classified into the following category types: Environment, Business Strategy, Business Process Execution, People/Human Capital, Reporting & Analysis, and Technology & Data. Following best practice, HMSA manages risk using the Institute of Internal Auditors' three lines model. The first line is operational management, who manages risk as services are provided to members. The second line role is served by governance functions, providing expertise, support and monitoring to ensure compliance, information security, privacy, and enterprise risk is managed effectively. Lastly, the third line is the internal audit function, which provides independent and objective assurance and advice related to the achievement of objectives. All lines ultimately report up to the governing body of HMSA, the Board of Directors. Results of the annual enterprise risk assessment are used to drive activities conducted by the second and third lines.

HMSA has engaged an investment advisor that functions as an external consultant in monitoring our investment portfolio throughout the year. Each quarter, our advisor meets with HMSA's investment

committee to review quarterly results. Our advisor also provides assistance to HMSA in the ongoing evaluation of the total investment portfolio, which includes various portfolio managers we utilize, as fund management is important to protect assets needed to achieve objectives in future years.

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.

HMSA RESPONSE

As mentioned above, HMSA's business objectives and corporate strategies do not currently incorporate any climate-related risks; however, several mechanisms are in place for risk identification. In addition, an ORSA scenario modeling the physical impact of climate risk has been developed and is being maintained. If/when climate risk is identified as financially material, metrics will be established for reporting and to ensure action taken is effective.

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