NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2022

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.

1. Governance Overview and Publicly Stated Goals:

Publicly Stated Goals: Blue Cross Blue Shield of Massachusetts (BCBSMA) has publicly committed to achieving carbon neutrality and zero waste by 2030. These goals are integral to our overall ESG strategy and are aimed at minimizing our environmental footprint, enhancing our operational efficiency, and ensuring long-term sustainability.

Governance Structure for Climate-Related Disclosure: Climate-related disclosures at BCBSMA are handled through a combination of group-level and entity-level activities. The overarching strategy and governance are managed at the group level, with specific implementation and operational tasks carried out at the entity level.

- **Group Level Activities:**
  - **ESG Steering Committee:** Develops and oversees the overall climate strategy.
  - **Finance and Business Performance Committee:** Assesses financial implications and monitors climate-related financial risks.
  - **Carbon Footprint Governance Council:** Coordinates strategic decisions and ensures alignment across all departments.
- **Entity Level Activities:**
  - **Director of Climate and Health Resilience:** Manages day-to-day operations and implements climate-related strategies within various departments.
  - **Departmental Initiatives:** Each department has specific responsibilities and projects that contribute to the overall climate goals, such as energy efficiency programs, waste reduction initiatives, and sustainability reporting.

A. Board and Committee Oversight of Climate-Related Risks and Opportunities:

Board of Directors: The Board of Directors at BCBSMA plays a critical role in overseeing climate-related risks and opportunities. They receive an annual comprehensive review of the ESG strategy and progress, along with quarterly dashboards that provide updates on key metrics and developments. This ensures that the Board is continuously informed and able to provide strategic guidance on climate-related issues.

ESG Steering Committee:

- **Role:** The ESG Steering Committee is responsible for setting the climate strategy, monitoring progress, and ensuring integration across the organization. They meet quarterly to review updates and align initiatives with our strategic goals.
- **Composition:** The committee includes senior leaders from various departments, ensuring a holistic approach to managing climate-related risks and opportunities.
- **Responsibilities:** Setting the agenda for the Board's discussions on climate issues, developing policies and procedures, and ensuring compliance with regulatory requirements.

Finance and Business Performance Committee:

- **Role:** This subcommittee of the Board focuses on the financial aspects of climate-related risks and opportunities.
- **Composition:** Includes members with financial expertise who assess the impact of climate risks on financial performance and investment strategies.
- **Responsibilities:** Monitoring and evaluating climate-related financial risks, aligning investment portfolio with sustainability goals, and ensuring financial resilience against climate impacts.

Director of Climate and Health Resilience:

- **Role:** Leads the operational management of climate-related initiatives.
- **Responsibilities:** Developing and implementing strategies for mitigation and adaptation, monitoring climate-related risks, and ensuring integration of climate actions into corporate strategy. Regularly updates the CEO and senior leadership on progress and emerging risks.

Carbon Footprint Governance Council:

- **Role:** Oversees strategic decisions related to carbon and climate risk management.
- **Composition:** Cross-departmental leaders who ensure alignment and active contribution to sustainability goals.
- **Responsibilities:** Reviewing and approving Green@Blue projects, evaluating Scope 3 emissions, pursuing LEED, WELL, and TRUE certifications, and developing NAIC and DOI Climate Risk and Opportunity Reports.

B. Management's Role in Assessing and Managing Climate-Related Risks and Opportunities:

Director of Climate and Health Resilience:

- **Role:** Central to assessing and managing climate-related risks and opportunities.
- **Responsibilities:**

- **Assessment:** Conducts regular assessments of climate-related risks and opportunities, utilizing data from various departments and external sources.
- **Strategy Development:** Develops mitigation and adaptation strategies, ensuring they are integrated into the broader corporate strategy.
- **Implementation:** Oversees the implementation of climate-related initiatives, coordinating efforts across departments.
- **Monitoring and Reporting:** Continuously monitors progress, utilizing tools like the NetZero Cloud platform for real-time tracking of emissions. Reports progress to senior leadership and the Board.

Departmental Leadership:

- **Roles:** Leaders from various departments, including finance, operations, procurement, and facilities, play active roles in implementing climate-related strategies.
- **Responsibilities:**
  - **Operational Implementation:** Implement department-specific initiatives that contribute to overall climate goals, such as energy efficiency programs and waste reduction efforts.
  - **Data Collection and Reporting:** Collect and report relevant data to the Director of Climate and Health Resilience for integration into overall climate strategy and reporting.
  - **Collaboration:** Work collaboratively with other departments and the Carbon Footprint Governance Council to ensure cohesive and effective implementation of climate initiatives.

Carbon Footprint Governance Council:

- **Role:** A critical body for managing and overseeing climate-related strategies and initiatives.
- **Responsibilities:**
  - **Strategic Decision-Making:** Provides a forum for strategic decision-making regarding climate-related initiatives.
  - **Project Approval:** Reviews and approves projects aimed at reducing emissions and enhancing sustainability.
  - **Certification Pursuit:** Manages the pursuit of certifications like LEED, WELL, and TRUE, ensuring our facilities meet high sustainability standards.

Internal Programs and Engagement:

- **Employee Engagement:** Programs like Green@Blue and the Good Stewards Education Program engage employees in hands-on sustainability efforts, fostering a culture of environmental responsibility.
- **Communication:** Monthly newsletters and workshops keep employees informed and involved in climate-related initiatives.

By having a structured governance framework and clearly defined roles at both the board and management levels, BCBSMA ensures effective oversight and management of climate-related risks and opportunities, aligning our operations with our long-term sustainability goals.

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.

2. Disclose the Actual and Potential Impacts of Climate-Related Risks and Opportunities

Steps to Engage Key Constituencies on Climate Risk and Resiliency:

- **Internal Engagement:** BCBSMA has established several internal programs to engage employees on climate risk and resiliency. **Green@Blue** and **Good Stewards Education Program** conduct monthly workshops and newsletters to keep employees informed and involved in sustainability efforts.
- **External Engagement:** We collaborate with local and national organizations like the **Environmental League of Massachusetts**, the **Climate Beacon Boston Green Ribbon Commission**, and the **American Red Cross**. These partnerships enhance community engagement and support for climate resilience initiatives.
- **Stakeholder Involvement:** Regular interactions with key stakeholders, including policymakers, insurance companies, and the public, ensure comprehensive coverage and effective implementation of climate strategies.

Plan to Assess, Reduce, or Mitigate Greenhouse Gas Emissions:

- **NetZero Cloud Platform:** Utilizes advanced tools for accurate tracking and reporting of Scope 1 and 2 emissions on a quarterly basis.
- **Carbon Neutral and Zero Waste Goals:** Committed to achieving carbon neutrality and zero waste by 2030. Strategies include reducing emissions through energy efficiency, clean energy procurement, and comprehensive waste management programs.
- **Decarbonization Roadmap:** Developing a detailed plan to meet our 2030 goals, including pursuing certifications like LEED, WELL, and TRUE, and implementing specific projects to reduce our carbon footprint.

A. Climate-Related Risks and Opportunities Identified

Definitions:

- **Short-Term (1-5 years)**
- **Medium-Term (5-10 years)**
- **Long-Term (10-30 years)**

Risks:

- **Short-Term Risks:**
  - **Severe Weather Events:** Hurricanes, severe winter storms, and flooding could disrupt operations, particularly in vulnerable locations like Quincy, MA.
- **Medium-Term Risks:**
  - **Health System Stress:** Increased healthcare demands due to climate-related health impacts, potentially raising costs and affecting service delivery.
- **Long-Term Risks:**
  - **Regulatory Changes:** Future regulations could impose stricter requirements on emissions and waste management, impacting operational practices and financial planning.

Opportunities:

- **Short-Term Opportunities:**
  - **Energy Efficiency Projects:** Immediate implementation of energy-saving measures to reduce operational costs and emissions.
- **Medium-Term Opportunities:**
  - **Sustainability Certifications:** Achieving LEED, WELL, and TRUE certifications to enhance building sustainability and reduce environmental impact.
- **Long-Term Opportunities:**
  - **Innovation in Healthcare:** Developing new products and services that address climate-related health issues, aligning with our mission and market demands.

B. Impact on Business, Strategy, and Financial Planning

Business Impact:

- **Operational Efficiency:** Implementing energy-efficient processes and waste reduction strategies leads to cost savings and improved operational efficiency.
- **Reputation and Brand Value:** Commitment to sustainability enhances our brand value, attracting environmentally conscious customers and employees.

Strategy Impact:

- **Product and Service Development:** Offering products and services that support the transition to a low-carbon economy and help customers adapt to climate-related risks.
- **Investment Strategies:** Investing in projects and technologies that align with our sustainability goals, such as renewable energy and carbon offset initiatives.

Financial Planning Impact:

- **Cost Management:** Proactively reducing emissions to minimize future costs associated with carbon offsets, which are expected to rise significantly by 2030.
- **Risk Management:** Assessing and managing climate-related risks to ensure financial resilience and regulatory compliance.

C. Resilience of Strategy in Different Climate-Related Scenarios

Climate Scenarios Considered:

- **2 Degrees Celsius or Lower Scenario:** This scenario involves substantial global efforts to limit temperature rise, necessitating significant changes in energy use, emissions, and sustainability practices.

Resilience Measures:

- **Adaptive Strategies:** Developing adaptive strategies that can be modified as new information and technologies emerge, ensuring flexibility and responsiveness to changing conditions.
- **Robust Risk Management:** Implementing a comprehensive risk management framework that includes regular scenario analysis and stress testing to evaluate the impact of different climate-related scenarios on our operations and financial performance.
- **Strategic Investments:** Making strategic investments in renewable energy, energy efficiency, and sustainable practices to enhance resilience and support the transition to a low-carbon economy.

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.

3. Disclose How the Insurer Identifies, Assesses, and Manages Climate-Related Risks

Identifying, Assessing, and Managing Climate-Related Risks:

Impact on Underwriting Portfolio and Management of Underwriting Exposure:

- **Physical Risk:** BCBSMA evaluates the potential impact of physical risks, such as severe weather events and natural disasters, on our underwriting portfolio. We use advanced catastrophe modeling and historical data to assess these risks and adjust our underwriting practices accordingly. This includes geographic diversification and specific clauses to mitigate risk exposure in high-risk areas.
- **Transition Risk:** We assess the risks associated with transitioning to a low-carbon economy, including regulatory changes, shifts in market demand, and technological advancements. Our underwriting policies are adjusted to reflect these risks, supporting clients in industries that are proactive in reducing their carbon footprint.
- **Liability Risk:** We consider the liability risks associated with climate change, including potential lawsuits and regulatory actions. Our underwriting processes include thorough reviews of policyholder practices and potential exposures to climate-related liabilities.

Encouraging Policyholders to Manage Climate-Related Risks:

- **Education and Resources:** BCBSMA provides policyholders with information and resources to help them understand and manage their climate-related risks. This includes guidelines on improving energy efficiency, reducing emissions, and preparing for extreme weather events.
- **Incentives:** We offer incentives for policyholders who adopt sustainable practices, such as discounts on premiums for businesses that achieve certain environmental certifications or implement robust risk mitigation strategies.

Impact on Investment Portfolio:

- **Assessment:** We assess the impact of climate-related risks on our investment portfolio, focusing on physical, transition, and liability risks. This includes evaluating the exposure of different asset classes to climate risks and adjusting our investment strategies accordingly.
- **Investment Classes:** We consider various investment classes, including equities, fixed income, real estate, and infrastructure. Investments in renewable energy projects and companies with strong ESG practices are prioritized to support the transition to a low-carbon economy.

A. Processes for Identifying and Assessing Climate-Related Risks:

Identification and Assessment:

- **Financial Implications:** Our process includes a comprehensive assessment of the financial implications of climate-related risks. This is done annually, with quarterly reviews to ensure we remain responsive to emerging risks and opportunities.
- **Tools and Frameworks:** We use tools like the NetZero Cloud platform for real-time tracking of emissions and advanced risk modeling software to assess the impact of climate-related risks on our operations and financial performance.
- **Stakeholder Involvement:** The process involves input from various stakeholders, including the ESG Steering Committee, the Finance and Business Performance Committee, and the Carbon Footprint Governance Council. This ensures a holistic approach to risk identification and assessment.

B. Processes for Managing Climate-Related Risks:

Risk Management Strategies:

- **Mitigation:** Implementing energy efficiency projects, transitioning to renewable energy sources, and reducing waste to mitigate physical risks. Our Green@Blue Campaigns and other internal initiatives drive these efforts.
- **Adaptation:** Enhancing our infrastructure's resilience to climate impacts, such as fortifying buildings against extreme weather and developing comprehensive disaster response plans.
- **Financial Planning:** Integrating climate-related risks into our financial planning, including setting aside reserves for potential climate-related claims and investing in sustainable projects to offset potential financial impacts.

C. Integration into Overall Risk Management:

Integration with Enterprise Risk Management:

- **Unified Process:** Climate-related risks are integrated into BCBSMA’s general enterprise-risk management (ERM) process. This unified approach ensures that climate risks are considered alongside other strategic, operational, and financial risks.
- **Frequency:** The ERM process, including climate risk assessments, is conducted annually with quarterly updates to ensure timely identification and management of emerging risks.

Climate Scenarios for Underwriting Risks:

- **Scenarios:** We utilize a range of climate scenarios to analyze underwriting risks, including those related to temperature rise, sea-level rise, and extreme weather events. These scenarios consider various risk factors, such as geographic location, historical weather patterns, and projected climate changes.
- **Timeframes:** Short-term (1-5 years), medium-term (5-10 years), and long-term (10-30 years) timeframes are considered to ensure comprehensive risk assessment and management.

Climate Scenarios for Investment Risks:

- **Scenarios:** Our investment risk analysis includes scenarios focused on transition risks, such as regulatory changes and market shifts, as well as physical risks like extreme weather impacts on assets.
- **Risk Factors:** Factors such as carbon pricing, energy transition policies, and the resilience of physical assets to climate impacts are considered.

- **Timeframes:** Similar to underwriting risks, we consider short-term, medium-term, and long-term timeframes to ensure robust investment risk management.

Summary: BCBSMA's comprehensive approach to identifying, assessing, and managing climate-related risks involves:

- Integrating climate risk considerations into underwriting and investment portfolios.
- Engaging with policyholders to encourage risk management practices.
- Utilizing advanced tools and frameworks for risk assessment and management.
- Ensuring a unified risk management process that includes regular reviews and updates based on evolving climate scenarios and emerging risks.

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.

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

4. Disclose the Metrics and Targets Used to Assess and Manage Relevant Climate-Related Risks and Opportunities

Catastrophe Modeling for Climate-Related Risks: BCBSMA uses catastrophe modeling to assess and manage climate-related risks, particularly for physical risks such as hurricanes, severe storms, and flooding. These models help us understand the potential impact of extreme weather events on our operations, facilities, and infrastructure, allowing us to develop effective risk mitigation and response strategies.

Catastrophe Models Used:

- **Hurricane Risk:** Utilizes models from the National Oceanic and Atmospheric Administration (NOAA) and other proprietary models to assess the frequency and severity of hurricanes and their potential impact on our facilities and operations.
- **Flood Risk:** Employs the Sea Lake and Overland Surges from Hurricanes (SLOSH) model in partnership with the U.S. Army Corps of Engineers to evaluate flood risks, particularly for our Quincy, MA location, which is vulnerable to sea level rise and flooding.

A. Metrics Used to Assess Climate-Related Risks and Opportunities:

Metrics for Assessing and Monitoring Climate Risks:

- **Exposure to Business Lines, Sectors, and Geographies:**
  - **Absolute Amounts and Percentages:** BCBSMA assesses its exposure to climate-related physical risks by evaluating the geographical locations of its facilities and operations. For example, our Quincy, MA location is identified as high-risk due to its vulnerability to flooding and hurricanes.
  - **Climate Scenarios:** We align our risk assessments with various climate scenarios, including a 2 degrees Celsius or lower scenario, to evaluate the impact of different climate outcomes on our operations.

Greenhouse Gas (GHG) Emissions:

- **Scope 1 Emissions:** Direct emissions from owned or controlled sources, such as company vehicles and on-site fuel combustion.
- **Scope 2 Emissions:** Indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by BCBSMA.
- **Scope 3 Emissions:** Indirect emissions not covered in Scope 2, including emissions from purchased goods and services, business travel, employee commuting, and waste disposal. Although not fully quantified yet, we are working towards comprehensive measurement and reporting of Scope 3 emissions.

B. Disclose Scope 1, Scope 2, and Scope 3 GHG Emissions and Related Risks:

GHG Emissions and Related Risks:

- **Scope 1 Emissions:** In 2023, our Scope 1 emissions were 11 metric tons CO2e. These emissions pose risks related to regulatory compliance and potential increases in fuel costs.
- **Scope 2 Emissions:** In 2023, our Scope 2 emissions were 5990 metric tons CO2e. These emissions are subject to risks from changes in electricity pricing and potential carbon pricing mechanisms.
- **Scope 3 Emissions:** Although not fully quantified, our Scope 3 emissions represent a significant portion of our total carbon footprint. Key areas include business travel and purchased goods and services. The risks associated with Scope 3 emissions include supply chain disruptions and increased costs from suppliers' emissions reductions efforts.

C. Targets Used to Manage Climate-Related Risks and Opportunities and Performance Against Targets:

Targets and Performance:

- **Carbon Neutrality by 2030:**
  - **Target:** Achieve carbon neutrality through a combination of emissions reductions and carbon offsets.
  - **Performance:** As of 2023, we have reduced our GHG emissions by 6.4% from our 2020 baseline. We are on track to meet interim targets set for 2025 and 2030, leveraging projects like renewable energy procurement and energy efficiency improvements.
- **Zero Waste by 2030:**
  - **Target:** Divert at least 90% of waste from landfills by 2030 through reuse, repair, recycling, and composting.
  - **Performance:** We have identified challenges in quantifying reduction in waste sent to landfills as of 2023 and will prioritize improved reporting, with ongoing initiatives to further improve waste diversion rates.

Additional Targets:

- **LEED, WELL, and TRUE Certifications:**
  - **Target:** Achieve and maintain certifications for all major facilities to ensure high standards of sustainability and wellness.
  - **Performance:** Our headquarters at 101 Huntington Avenue has achieved LEED Platinum certification, and we are pursuing additional certifications for other key facilities.

Monitoring and Reporting:

- **NetZero Cloud Platform:** Utilizes this platform for real-time tracking and reporting of GHG emissions and energy use, ensuring transparency and accountability in our progress towards targets.
- **Quarterly Reports:** Provides regular updates to the Board of Directors and the ESG Steering Committee on progress towards our climate goals.