NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2022

NAIC Number: 55107
Company Name: Excellus Hlth Plan Inc
Line of Business: Health
Group Filing: N
Reporting Year: 2023

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:

Our climate-related disclosure is handled at the enterprise level. The organization created a Climate Change Task Team consisting of leaders from across the enterprise, including but not limited to Strategy, Facilities, Business Resilience, Legal, Finance, and Communications. The Climate Change Task Team is responsible for conducting the climate change risk assessment at the enterprise level.

Oversight of climate change risks and opportunities is the responsibility of both enterprise management and board committees. These committees include the Risk Management Committee, the Risk Management Leadership Team, and the Board Risk Committee.

We do not have publicly stated goals on climate related risks and opportunities.

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

- Does the insurer have publicly stated goals on climate-related risks and opportunities? **No**
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? **Yes**
- Does management have a role in assessing climate-related risks and opportunities? **Yes**

- Does management have a role in managing climate-related risks and opportunities? **Yes**

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:

In 2023, the Corporation conducted the Financial Risk from Climate Change risk assessment and issued its report on Financial Risks from Climate Change in response to a requirement by the NYS Department of Financial Services (DFS). The report defined the risk assessment objectives, areas of scope, general assumptions, controls review and assessment. The Corporation assembled a Climate Change Task Team with representatives from key areas across the enterprise. The group reviewed for risks related to market, liquidity, credit, legal, operational, pricing/underwriting, reputation, and strategic concerns, and concluded the following:

The financial risks from Climate Change are notable but not material to the enterprise for the period under assessment (2023-2025). The Climate Change Task Team is tasked with maturing the Climate Change Risk Assessment program and monitoring the risks identified.

The notable risks include:

Short Term:

- Claim liability risk related to flu, COVID-19, extreme winter and summer weather and vector borne disease.

Medium Term:

- Claim liability risk related to drought, flood, and air pollution
- Infrastructure and technology initiatives

- Supply chain disruption
- Regulatory changes

Long Term:

- Demographic change due to migration

The report was shared with internal risk committees and our governing Board.

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? **Yes**
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? **No**
- Does the insurer make investments to support the transition to a low carbon economy? **Yes**
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? **Yes**

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:

In 2023, the Climate Change Task Team reviewed for potential risks from climate change in the areas of market, liquidity, credit, legal, operational, pricing/underwriting, reputation, and strategic concerns, and concluded that none of the risks identified were financially material to the organization. The Climate Change Risk Assessment is a stand-alone risk assessment process and will be conducted on an annual basis.

Below is a summary of our risk assessment for 3 key areas:

- Underwriting Risk - The organization does not currently consider the impact of climate-related risk on its underwriting practices due to the short-term nature of health insurance policies. We will monitor for any significant increase in average morbidity rates in any of our services areas due to climate change risks that could potentially result in an increase in loss ratios for the organization. If climate change has a significant impact on the economy in general, investment losses or a reduction in sales/revenue could potentially occur.

- Market Risks - We leverage the MSCI ESG Ratings tool to evaluate publicly-traded domestic equity, international equity, convertible bonds, and other fixed income and establish a baseline for those assets and asset managers in our portfolio. This baseline score will reflect the degree to which our financial performance is protected against material environmental, social and governance ("ESG") risks and position us to capture material ESG opportunities going forward. The MSCI ESG Ratings tool and baseline will be supplemented with a separate survey to managers of all asset classes, with detailed questions aimed at their internal and external ESG philosophies. After a baseline is established, opportunities for improvement among our managers will be identified via an annual review and analysis using both tools. Most of our asset managers run climate risk scenarios, leveraging a variety of proprietary and public tools, as well as traditional fundamental analysis and industry expertise. While there is no one standard approach among all our managers, the climate change risk factors mentioned included speed, scale, regulation, technology, fossil fuels, geography, physical risks, and industry sector trends across the short-, medium-, and long-term.

- Operational Risks – We perform an annual Multi-Factor Risk Assessment (formerly known in the industry as a Hazard Vulnerability Risk Assessment) for all owned and leased properties. It focuses on Life Safety, Local/Environmental and Natural Hazards, including temperature extremes. We perform incident surveillance of all threats, including extreme heat and other weather conditions, and residual impacts such as power outages, wildfires, etc. across the country, and how these may impact our facilities, our employees, and/or our members. For instance, when a State of Emergency is declared (e.g. California wildfires), in most instances we override our "too soon to refill" protocols to enable members impacted by disasters to access prescription medication. Note that our Multi-Factor Risk Assessment utilizes the terms "extreme heat", "drought," "flooding, "landslide", "blizzard", etc. as well as other specific natural hazards. We do not use the broad term "climate risk" as this is considered an "aggregate broader category." For risks to day-to-day business operations, our Business Resilience team responds effectively to any unplanned event assuring survivability of the enterprise as defined by stakeholder expectations.

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

- Does the insurer have a process for identifying climate-related risks? **Yes**
  - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? **Yes**
- Does the insurer have a process for assessing climate-related risks? **Yes**
  - If yes, does the process include an assessment of financial implications? **Yes**

- Does the insurer have a process for managing climate-related risks? **Yes**
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? **No**
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? **No**
- Has the insurer considered the impact of climate-related risks on its investment portfolio? **Yes** Has the insurer utilized climate scenarios to analyze their underwriting risk? **No**
- Has the insurer utilized climate scenarios to analyze their investment risk? **Yes**

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:

We have not identified any material financial risks from climate change.

Materiality Justification: NAIC guidance suggests applying a factor to the Company's Reserves and Unassigned Funds balance. A range of 1 to 5 percent is considered an appropriate range of factors to use, and a percentage at the higher end of this range is typical for strong, well-capitalized insurers with no apparent concerns. Based on this guidance, we used 4.5% of the 12/31/2022 Reserves and Unassigned Funds balance to develop our materiality threshold.

This materiality threshold represents the final 2023 quantitative threshold, based on the year end 2022 data. This materiality threshold was used as guidance during the 2023 climate change risk assessment to identify significant financial statement impacts as well as significant accounts.

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

- Does the insurer use catastrophe modeling to manage your climate-related risks? **No**
- Does the insurer use metrics to assess and monitor climate-related risks? **No**
- Does the insurer have targets to manage climate-related risks and opportunities? **No**
- Does the insurer have targets to manage climate-related performance? **No**

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