

NAIC CLIMATE RISK DISCLOSURE SURVEY

UPPER PENINSULA HEALTH PLAN, LLC 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.*

UPHP Response for Governance:

The Upper Peninsula Health Plan (UPHP) is a Michigan health maintenance organization. UPHP provides health coverage to individuals enrolled in Medicare or in the Michigan Medicaid program. UPHP does not provide insurance coverage for property or casualty loss.

Any climate-related disclosure or decision-making would be made at the company level, and not at a group level.

Given the focus of UPHP's work, UPHP has not issued publicly stated goals on climate-related risks and opportunities.

UPHP has an active Environmental Stewardship Committee made up of its employees. The ES Committee is endorsed and supported by the UPHP Senior Management Team. The ES Committee was formed in August 2022 to support UPHP's commitment to environmental stewardship and sustainability by promoting eco-friendly practices and initiatives within the company. Since formation, the ES Committee:

- Replaced disposable office kitchen supplies with reusable items;
- Started an on-site battery recycling program which has already led to collection of over 150 pounds of batteries;
- Started an on-site paper and plastics recycling program;
- Placed reusable paper towels and stainless-steel K-cups at each coffee station in the office building;
- Arranged for employees to clean different parts of the community on company time;
- Initiated a company-wide plastic recycling challenge with an unrelated third party; and
- Provided each employee with their own set of reusable cutlery.

The ES Committee also provides employee education on sustainable practices.

In addition, UPHP's corporate office building, which was constructed in 2016, was constructed with or later supplemented with the following climate-minded features:

- Water bottle refill stations on each of the three floors of the building, which has led to savings of over 400,000 plastic water bottles;
- Automatic adjustment of thermostats after 5:00 p.m. on weekdays and during weekends to reduce heating costs during winter months and cooling costs in summer months;
- Lighting systems that turn off after no motion is detected over a certain period of time;
- Natural gas heat; and
- LED lighting throughout the building.

UPHP also invested in a community solar panel garden to generate renewable energy.

UPHP's Facility Coordinator participated in energy efficiency education offered by the Midwest Energy Efficiency Alliance and continues to search for ways to keep the corporate office building energy efficient.

UPHP utilizes a janitorial service that uses environmentally friendly cleaning products whenever possible. UPHP also provides staff with compostable, wooden cutlery at coffee stations and in the breakroom, instead of single-use plasticware.

UPHP addresses risks in an annual risk assessment exercise. This exercise is led by the UPHP Compliance Department and requires each department within the company to identify risks to the company so those risks can be mitigated to the extent practicable. While climate-related financial risks have not been identified as a company risk to date, climate-related financial risks would be assessed and managed by the UPHP Chief Financial Officer.

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.

UPHP Response for Strategy:

UPHP has not identified actual or potential impacts of climate-related risks to its strategy or financial planning. UPHP has identified that a climate-related natural disaster or fire could potentially impact its corporate office building.

UPHP has identified opportunities to assess, reduce, or mitigate greenhouse gas emissions that would otherwise stem from its operations. For example, UPHP allows most of its employees to work from their homes on at least a hybrid basis. Some employees exclusively work from their homes, while others split their time between the office setting and their home.

UPHP also utilizes initiatives developed by its Environmental Sustainability Committee (ES Committee) to mitigate the company's impact on the environment, and uses ideas procured by its Facility Coordinator improve building efficiencies.

In addition, in considering the health benefits provided by UPHP to its Medicare and Medicaid enrollees, UPHP covers a wide range of telemedicine services which allow enrollees to receive medical care without the need for travel. In many cases UPHP also covers mail order pharmaceutical products which further reduces an enrollee's need for travel.

For enrollees who must travel to obtain benefits, UPHP provides them with transportation assistance, including via public transportation.

While UPHP is happy to have identified and acted upon these opportunities in the short term, UPHP has not set medium or long-term goals or strategies related to reduction of greenhouse gas emissions.

UPHP understands that climate risks may impact the health of our Medicare and Medicaid enrollees and may impact medical costs in a variety of ways. UPHP actively assists enrollees in identifying and locating non-medical resources, as needed by the enrollee, such as heating, housing and food assistance.

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.

UPHP Response for Risk Management:

UPHP identifies potential company risks, including climate-related risks, during its annual risk assessment exercise. This exercise involves all departments within the company and requires each department to identify actual or perceived risks to their specific department. All risks are compiled into one large assessment and then categorized and scored both by likelihood level (unlikely, likely, or very likely to occur) and magnitude of impact (high, medium, or low impact). Items identified as high risk are then incorporated into UPHP's annual Auditing and Monitoring Work Plan. The risk assessment is shared with the UPHP Management Committee (i.e., board of directors) each year.

The risk assessment exercise is how UPHP would identify, assess and manage climate-related risks. The current risk assessment includes "Natural Disaster: Earthquake, Extreme Heat, Flood, Fire, Power Outage, Tornado" and separately "Winter Weather (Snowstorms/Blizzards)" as potential risks to the corporate office building and ongoing business operations. Using the categorization and scoring method described above, these were not ultimately identified as a high risk by UPHP and thus were not included in the Auditing and Monitoring Work Plan.

UPHP maintains both a Business Continuity Plan and an Emergency Operations Plan. These Plans collectively ensure that UPHP is able to respond accordingly and continue its operations during emergency situations, including climate-related emergencies.

UPHP does not set premiums for the health benefits it administers, and thus does not perform underwriting. UPHP's investment policy focuses on low risk, highly rated fixed income securities. UPHP has not historically considered climate scenarios when analyzing or choosing investments or risks to its investments.

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.

UPHP Response for Metrics and Targets:

Assessment of climate-related risks occurs during UPHP's annual risk assessment exercise, in which all risks (climate and otherwise) are reviewed and considered.

During this risk assessment, UPHP considers the likelihood of occurrence and the magnitude of impact if it does occur. In terms of likelihood, each identified risk is categorized as unlikely to occur, likely to occur, or very likely to occur. The risk is then further categorized by the impact the risk, if realized, will have on UPHP operations. The impact choices are low, medium, or high. A risk with high impact, for example, would be something that may result in loss of major assets or resources; may significantly harm the company's mission or interest; or may result in human death or injury. A risk that is unlikely to occur is one in which there is little potential for this risk to occur or in which controls are in place to prevent or significantly impede the risk from occurring.

Points are assigned to each category. A risk that is unlikely to occur but would have a high impact on the company is assigned 3 points. A risk that is very likely to occur and would have a medium impact on the company is assigned 6 points.

UPHP has not used catastrophe modeling to manage climate-related risks to its business. UPHP has not financed or underwritten carbon emissions, or calculated greenhouse gas emissions. UPHP has not created targets or goals when it comes to climate-related risks and opportunities.

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