Response for NAIC Climate Risk Disclosure Survey

OIC FRAMEWORK: TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD)

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INTRODUCTION

The Washington State Office of the Insurance Commissioner is conducting the annual Climate Risk Disclosure Survey, modelled on TCFD. The TCFD standard is the international benchmark for climate risk disclosure and will help insurance regulators and the public to better understand the climate-related risks to the U.S. insurance market.

All insurance companies licensed in the State of Washington and who collected direct written premium amounts of more than 100 million dollars nationwide during the previous year must respond to the survey.

Companies within the same group whose policies and practices are the same and whose answers would not be materially different from each other may submit uniform group responses.

SECTION 1: GOVERNANCE

NARRATIVE

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.

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.

Premera recognizes the importance of sustainability in the context of both regulatory compliance and client expectations. The Board of Directors provides Premera Blue Cross (PBC) leadership with input on climate change as important matters arise, and reviews strategic initiatives for program development and implementation. PBC's President and CEO has overall responsibility for climate-related risks and opportunities. The Chief Legal & Risk Officer (CLRO) reports to the board on climate-related issues to ensure alignment with the company's long-term corporate goals. Oversight is also the responsibility of the Chief Human Resources Officer (CHRO) who collaborates with other company officers and receives status updates from the sustainability working group, described under management.

The executive team receives periodic updates on sustainability matters, primarily focused on regulatory compliance, client-driven requirements, and the ongoing renovation of the company's real estate portfolio to improve energy efficiency.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

The Director of Real Estate and Facilities (RE&F)manages the sustainability working group, energy efficiency, and procurement of renewable energy. The sustainability working group consists of RE&F managers and the Sustainability Specialist, with a particular focus on ensuring regulatory compliance, responding to client expectations, and improving the *energy efficiency of Premera's real estate assets. The group meets weekly and reports on initiatives. The working group:*

- *Measures and tracks operational emissions on an annual basis*
- *Develops sustainability goals and drives initiatives forward*
- *Identifies, monitors, and shares knowledge of climate issues and policy trends*
- *Facilitates implementation of carbon reduction measures*

Although the company has not yet formally assessed climate-related financial risks, the ongoing improvements in facilities management demonstrate an emerging focus on mitigating physical risks associated with climate change, such as rising energy costs and the potential impact of extreme weather events on company facilities. The management team acknowledges the need for a more comprehensive approach to climate-related risks and is exploring options to enhance its capabilities in this area.

CLOSED ENDED QUESTIONS

A. Does the insurer have publicly stated goals on climate-related risks and opportunities? *No*

B. Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? *No*

C. Does management have a role in assessing climate-related risks and opportunities? *Yes*

SECTION 2: STRATEGY

NARRATIVE

1. 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.

   To assess risks, RE&F considers acute and chronic physical risks, (e.g., temperature extremes, wildfire, water stress and flooding) and transition risks (e.g., regulatory, legal, market and reputational risk). For opportunities, we explore resource efficiency and the use of lower-emission energy sources to support the transition to a low-carbon economy.

2. Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency.

   The Sustainability group reviews the Washington State funded risk assessment from the University of Washington Climate Impacts Group (CIG). The online tool provides data to inform planning for climate resilience. We use time periods until the year 2100. Findings are shared with The Enterprise Risk Management (ERM) team for visibility and may be incorporated into ERM assessments or risk mitigation plans.

   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.

   Time horizons are assessed and assigned on the objective of the scenario analysis. RE&F defines short-term as 0-3 years, medium-term as "prior to 2030," and long-term as "between 2030 and 2100".

   PBC leadership, risk management, business strategy, finance, employee experience and RE&F contribute data and information for climate change related disclosures. Internal and external consultants advise on strategy, emissions calculations, and energy modeling.

   Transition risks include current and emerging regulations, market, and reputational risk. These risks are also opportunities. Regulations may impose restrictions that impact on design, construction, and operation of facilities. Substantial alterations to an existing office *building renovated in 2022 included replacement of the roof, windows, and doors ensuring greater energy efficiency. The new mechanical system has lower-carbon refrigerants, reduces energy, and increases resiliency with adaptive thermal comfort. PBC's ongoing renovations of its buildings to improve energy efficiency highlight an emerging focus on physical climate risks, such as increased energy demand due to rising temperatures and the potential for climate-related damage to properties. Additionally, Premera is exploring opportunities to further enhance the sustainability of its real estate portfolio, which could lead to reduced operational costs and increased property values over time.*

An upstream opportunity in PBC's value stream is the requirement from a key customer to reduce service level emissions. In return, the customer will prioritize investment with suppliers that: (1) meet their requirement for lower-emission services and (2) demonstrate a commitment to climate action. Market opportunities also extend to new customers seeking to lower their scope 3 emissions, and who prioritize environmental performance in their vendor partner selection criteria.

Downstream in PBC's supply chain, an architectural firm is signatory to the AIA 2030 Commitment and the SE 2050 Challenge. Our furniture supplier's goals include reducing their carbon footprint by 50 percent. Our food service supplier has set net zero targets. All customers have an opportunity to lower their individual carbon footprint by electing paperless explanations of benefits.

Organizational resilience impacts reputation. PBC invests in geographic redundancy to help ensure business continuity. We perform annual testing of critical services, based on scenarios involving loss of facilities, systems, and potential cybersecurity events.

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.

PBC invests in decarbonization and adaptation strategies to mitigate risk, lower operational cost, and increase resilience. Sustainability initiatives and transparency in climate change disclosures motivate employees to be part of Premera's sustainable strategy, promotes retention and recrutment of talent and helps boost workforce morale.

The impact of climate-related risks and opportunities on Premera's business operations, strategy, and financial planning has been minimal to date. However, the company's focus on renovating its real estate portfolio to improve energy efficiency reflects an awareness of the potential financial impacts of climate change. These renovations are expected to reduce energy costs, lower GHG emissions, and enhance the resilience of company facilities against climate-related risks. As Premera continues to implement these projects, the financial benefits of improved energy efficiency are anticipated to play a larger role in its strategic planning.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

Investments in buildings and building operations supports the transition to a low carbon economy. Premera has not yet conducted scenario analysis related to climate change impacts, but the company's real estate strategy is an initial step towards enhancing its resilience. By investing in energy-efficient building renovations, Premera is preparing its facilities to better withstand the potential impacts of climate-related scenarios, such as extreme weather events and regulatory changes that may impose stricter energy efficiency standards. As part of its future strategy, Premera plans to incorporate more comprehensive scenario analysis, which will include evaluating the resilience of its real estate assets and overall operations under various climate-related scenarios.

CLOSED ENDED QUESTIONS

A. Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? *Yes*
B. Does the insurer provide products or services to support the transition to a low carbon economy customers adapt to climate risk? *Yes*
C. Does the insurer make investments to support the transition to a low carbon economy? *Yes*
D. Does the insurer have a plan to assess, reduce or mitigate its GHG emissions in its operations or organizations? *Yes*

SECTION 3: RISK MANAGEMENT

NARRATIVE

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.

A. Describe the insurers' processes for identifying and assessing climate-related risks.

RE&F references climate risk assessments from the University of Washington Climate Impacts Group (CIG), which maps the scenarios for Snohomish and Spokane counties. RE&F also considers the location, construction type, the year in which a building was permitted, and FEMA maps. PBC's ongoing efforts to renovate its real estate assets to improve energy efficiency indicate a growing recognition of physical climate risks.

Transition risks include current and emerging regulations, market, and reputational risk. Premera's current process for identifying and assessing transition risks is in its early stages and primarily focuses on regulatory compliance and client expectations. As Premera continues to enhance its risk management processes, it plans to develop more formalized methods for identifying and assessing climate-related risks, particularly in relation to its real estate portfolio.

The company relies on existing regulatory frameworks and client expectations to guide its climate-related risk management efforts. The sustainability working group is responsible for tracking regulatory changes and emerging trends in climate-related disclosures, which informs the company's compliance activities. As the company moves forward, it plans to establish more formalized processes for identifying and assessing climate-related risks, leveraging insights from industry best practices and evolving regulatory guidance.

B. Describe the insurer's processes for managing climate-related risks.

Management of climate-related risks at Premera is primarily focused on meeting regulatory requirements and addressing client inquiries, as well as on compliance with regulatory requirements and improving the energy efficiency of its real estate assets.The company has not yet implemented a comprehensive risk management framework that specifically targets climate-related risks. The ongoing building renovations demonstrate a proactive approach to *mitigating certain physical risks. These efforts are expected to contribute to the long-term sustainability of Premera's operations by reducing energy consumption and enhancing the resilience of its facilities. As the company's climate risk management processes evolve, it will seek to integrate broader climate-related considerations into its overall risk management strategy, including the potential impacts on its real estate assets. However, recognizing the growing importance of this issue, Premera is exploring ways to enhance its risk management processes by incorporating climate-related considerations. This may include developing internal expertise, collaborating with external consultants, and engaging with industry peers to understand best practices in 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:

Any potentially material risks to Premera's strategic plans and core operating model would be shared with the ERM team to further assess, and prioritize treatment of strategic, regulatory, operational, or financial exposures.

CLOSED ENDED QUESTIONS

- **A.** 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*
- **B.** Does the insurer have a process for assessing climate-related risks? *Yes* If yes, does the process include an assessment of financial implications? *No*
- **C.** Has the insurer considered the impact of climate-related risks on its underwriting portfolio? *No*
- **D.** Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? *No*
- **E.** Has the insurer considered the impact of climate-related risks on its investment portfolio? *No*
- **F.** Has the insurer utilized climate scenarios to analyze their underwriting risk? *No*
- **G.** Has the insurer utilized climate scenarios to analyze their investment risk? *No*

SECTION 4: METRICS AND TARGETS

NARRATIVE

4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.

In 2023, PBC lauched its sustainability plan. The plan focuses on four key areas: Energy, Carbon, Waste, and Water management, reflecting our dedication to environmental stewardship and responsible resource use.

Reducing Carbon Emissions
Objective: To reduce our carbon footprint and contribute to climate change mitigation.
Actions:
1. Greenhouse Gas (GHG) Accounting: Continue annual GHG accounting to measure and report carbon emissions from our operations
2. Emissions Reduction Plan: Develop emissions reduction targets and plan to reduce operational emissions
3. Transportation Strategies: Encourage flexible and alternative transportation options to reduce employee commuting-related emissions

Improving energy efficiency
Objective: To reduce energy consumption and promote energy efficiency across our operations.
Actions:
1. Energy Efficiency Improvements: Continue working closely with utilities for energy efficiency improvements, identifying opportunities to upgrade facilities, lighting, and HVAC systems
2. Renewable Energy Adoption: Increase our use of renewable energy sources
3. Employee Engagement: Foster a culture of energy awareness among employees through educations and initiatives that encourage responsible energy use

Minimizing Waste
Objective: To reduce waste generation, increase recycling rates, and minimize the environmental impact of our waste.
Actions:
1. Waste Audits: Conduct regular waste audits to identify opportunities for waste reduction and diversion

2. Single-Use Plastics: Phase out the use of single-use plastics within our facilities and encourage sustainable alternatives
3. Recycling Education: Educate employees on proper recycling practices and expand recycling programs in our offices
4. Customer Engagement: Promote paperless Explanations of Benefits (EOB) among members, reduce value chain paper consumption

Conserving water
Objective: To optimize water use and minimize water waste across our facilities.
Actions:
1. Water Efficiency Measures: Implement water-efficient fixtures and technologies to reduce water consumption in our buildings
2. Landscaping Practices: Promote smart irrigation and sustainable landscaping practices to minimize outdoor water usage
3. Monitoring and Reporting: Establish systems for monitoring and reporting water usage to identify areas for improvement

Disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and the related risks.

PBC's GHG emissions for 2023 were: Scope 1 = 731 tCO2e; Scope 2 = 2,469 tCO2e; Scope 3 = 25,491 tCO2e; Total GHG emissions = 28,467 tCO2e. Risks are addressed in Section 3.

Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

PBC is currently testing a 55 percent reduction in service level emissions for a key customer. PBC is also modelling reductions in absolute emissions, to inform emission reduction goals by 2030, compared with the 2019 base year. We focus resources and efforts where we can have the most positive impact on our business and communites we serve, including issues related to environmental sustainability.

CLOSED ENDED QUESTIONS

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