

Vermont Blue Advantage, Inc.

CLIMATE CHANGE RISK DISCLOSURE SURVEY

August 28, 2024

Governance

1. Disclose the insurer's governance around climate-related risks and opportunities.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

The Vermont Blue Advantage, Inc. (VBA) Board of Directors (Board) oversees VBA's risk management function. VBA's risk management framework utilizes an extensive process to identify priority risks that pose the most significant potential financial impact to the enterprise. Climate risk has not been specifically identified as a priority risk at this time but may contribute to other identified priority risks such as benefit costs, health care pricing, and investment portfolio performance. A confidential detailed assessment of priority risks is produced annually and supplied to Vermont's Department of Financial Regulation in VBA's Own Risk and Solvency Assessment (ORSA).

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

VBA is supported by the Enterprise Risk Management (ERM) function within the Performance Management department of VBA's ultimate parent, Blue Cross Blue Shield of Michigan's Emerging Markets division. ERM is responsible for identifying areas of concern and communicating with senior leadership to better understand risk, allowing appropriate action to be identified and executed to address issues and leverage opportunities, and reporting on risk to the VBA Board.

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

- A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.

As stated earlier, climate risk has not yet been specifically identified as a separate priority risk but may contribute to other priority risks such as benefit costs, health care pricing, and investment portfolio performance detailed in the enterprise ORSA report filed annually with DFR.

To decrease our carbon footprint and preserve the environment, VBA's parent organizations, Blue Cross Blue Shield of Michigan (BCBSM) and Blue Cross Blue Shield of Vermont (BCBSVT), have both established Blues Go Green initiatives. Efforts include:

- Installed a 200-kilowatt solar energy system on the roof of BCBSM's four-story parking structure located in Detroit, Michigan, helping avoid adding 750 metric tons of carbon dioxide emissions.
- Additionally, the parking structure has an elaborate rainwater collection system, allowing BCBSM to recycle rain and irrigation water to maintain BCBSM's Detroit campus' grounds.
- Both BCBSM and BCBSVT have digitized many health records, prioritized email over printed memos and begun offering paperless/electronic explanations of benefits to our members. The last option alone helped save more than 1,600 trees in just one year.
- BCBSVT launched the Corporate Sustainability Committee in 2015 to lead socially and environmentally responsible initiatives to improve BCBSVT's energy efficiency, reduce overall environmental impacts, and create a "green" culture internally and externally.
- VBA has also introduced a new hybrid work model which is beneficial to the environment. Most employees work from the office one day per week which greatly reduces commuting trips and the overall emissions from the use of motor vehicles.

- B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.

As stated earlier, climate risk has not yet been specifically called out but may contribute to priority risks such as benefit costs, health care pricing, and investment portfolio performance, detailed in VBA's ORSA report filed annually with DFR.

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

VBA has not assessed scenarios such as a 2 degree Celsius or lower scenario at this time.

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N)
 - No
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (Y/N)
 - No
- Does the insurer make investments to support the transition to a low carbon economy? (Y/N)
 - Yes
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)
 - No

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:

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

VBA's risk management is based on the COSO framework. VBA continues to manage medical costs through underwriting criteria. The criteria include product design, negotiation of competitive provider contracts and care management programs. Total medical costs are affected by the number of individual services rendered, the cost of each service and the type of service rendered.

Factors that may impact medical costs include medical cost inflation, increased use of services, increased cost of individual services, costs to deliver care, large-scale medical emergencies, the potential effects of climate change, pandemics, the introduction of new or costly drugs, treatments and technology, new treatment guidelines, newly mandated benefits or other regulatory changes and insured population characteristics.

VBA's risk identification process is integrated and collaborative. Input is gathered from multiple sources to compose a comprehensive view of the internal and external environment. ERM partners with the Office of the General Auditor and Corporate Compliance (OGACC) and the Model Audit Rule (MAR) department to conduct an annual, comprehensive risk assessment process.

VBA maintains a public facing website, that includes news and information for members. This includes articles and tips on how to live a healthier life.

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

A key source of risk information is the risk and opportunity analysis embedded in the annual capital planning process. The capital plan assesses drivers of uncertainty and risk around underwriting forecasts, the drivers of volatility (including medical and pharmacy trend, membership, risk adjustment, administrative expenses, investments, and subsidiaries) and management plans to address the risks. Each of these risk and opportunity drivers are reviewed with the appropriate levels of management. The capital plan is also reviewed and approved annually by the VBA Board.

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.

All risks, including potential impact posed by climate-related risk, are intended to be identified and managed through our overall risk management framework. VBA's risk identification process is integrated and collaborative. Input is gathered from multiple sources to compose a comprehensive view of the internal and external environment. ERM partners with the OGACC and the MAR department to conduct an annual, comprehensive risk assessment process.

- Does the insurer have a process for identifying climate-related risks? (Y/N)
 - No
 - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N)
 - N/A
- Does the insurer have a process for assessing climate-related risks? (Y/N)
 - No
 - If yes, does the process include an assessment of financial implications? (Y/N)
 - N/A
- Does the insurer have a process for managing climate-related risks? (Y/N)
 - No
- 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? (Y/N)
 - No
- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N)
 - No

Metrics and Targets

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

- A. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.

No material information to disclose.

- B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

N/A

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

N/A

- 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? (Y/N)
 - No
- Does the insurer have targets to manage climate-related risks and opportunities? (Y/N)
 - No
- Does the insurer have targets to manage climate-related performance? (Y/N)
 - No