

# 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.

There are no publicly stated goals specific to our climate-related risks. However, we do have publicly available information on Blue Shield of California's environmental goals concerning the reduction of carbon emissions and waste, as well as influencing the health care sector to act more sustainably. Some of this work intersects with addressing climate-related opportunities (e.g., understanding impacts of climate events on healthcare utilization, identifying climate-smart models of care).

Additionally, Blue Shield signed onto the Department of Human Health and Services' Health Sector Climate Pledge, which includes a goal around releasing a climate resilience plan by 2023 or within 6 months of signing the pledge. Blue Shield published its first draft in late 2023 and plans to update it annually as our climate risk and resiliency work advances.

- 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.

Climate-related disclosure is handled at the group and entity level (including across subsidiaries). Members of the Climate Risk Working Group include Actuary, Health Solutions, Corporate Real Estate, IT, Corporate Citizenship and Global Business Services, People & Engagement, and Treasury. In 2024, this working group and report includes assessments for our subsidiaries. The group assesses and prioritizes the various risk drivers and opportunities. The outputs of this work are shared with the enterprise risk management group. Climate risk is currently assessed as part of the Enterprise Risk Assessment (ERA) and has interdependencies with top enterprise risks.

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

The Climate Risk Working Group is responsible for the oversight of climate-related risks and opportunities and reports out to the Enterprise Risk Management team for inclusion in the Enterprise Risk Assessment. Several business units are already considering climate-related events under the term 'natural disasters' in their assessment and planning efforts.

Additionally, our citizenship work is reported out at a high level to the Nominating & Governing committee of the board. This is inclusive of high-level reporting on climate risk 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.

The audit committee is responsible for the oversight of top-level risks which may include financial risks.

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

The results of the climate risk working group are elevated to each business unit's leadership for consideration. We conducted assessments for our subsidiaries, and these results are shared with their leadership as well. At the parent level, the climate risk working group selects the top risk drivers for prioritization and additional management to ensure that they are appropriately addressed in business continuity and incident response documents. In 2024, our IT business unit and one of our subsidiaries both conducted workshops on how natural disasters could impact their respective operations.

## 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. \*

Blue Shield of California reaches out to impacted members during state of emergency declarations which may include climate events such as wildfires, flooding and poor air quality days to provide resources and guidance to ensure continuity of care (i.e., ensuring access to prescriptions etc.). This is currently mandated by law. There is an opportunity to assess additional ways in which we can support members before events are elevated to an emergency status. Furthermore, Blue Shield of California has also leveraged virtual care for members impacted by climate events.

- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations. \*

To assess emissions: Blue Shield of California undertakes a comprehensive carbon inventory on an annual basis, which includes scope 1, 2, and 3 emissions. We also estimate our carbon emissions associated with 'healthcare delivery' based on high-level claims information. We work with a third-party to independently verify our carbon inventory.

To reduce emissions: Blue Shield of California launched a Supplier Sustainability Program in 2021 to help address greenhouse gas emissions across the organization's supply chain – purchased goods & services represents a major source of our carbon emissions. In its fourth year (2024), the program targeted Blue Shield's highest carbon-emitting suppliers covering two-thirds of the supply chain, by emissions, to report climate data via the CDP platform (formerly known as the Carbon Disclosure Project). Blue Shield has also requested that a subset of suppliers make a formal commitment to the Science Based Targets initiative to reduce their own emissions.

In 2023, we also launched a sustainability initiative to ensure that a portion of our financial holdings are setting science-based targets.

Our Corporate Real Estate Team also facilitates the following efforts:

- Update interior/exterior lighting to more efficient LED bulbs in owned facilities, where feasible
- Explore additional renewable energy purchasing opportunities including opt-up opportunities via local utility providers
- Maintain Electric Vehicle (EV) charging stations

Our Paperless Initiative aims to digitize 95% of our communications assets and reduce paper waste by 80% by 2025 to relieve strain on natural resources. As of August 2024, 62% of our members have opted to go paperless.

To mitigate emissions: See our comments above. In 2023, Blue Shield committed to setting science-based targets to reduce scope 1, 2 and 3 emissions. We are continually evaluating opportunities to reduce healthcare-based emissions.

*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.

Blue Shield of California defines short-term as 0-1 year, medium-term as 1-2 years and long-term as 2-3 years.

Risk Drivers:

- Extreme weather events impact operations infrastructure affecting business continuity
- Extreme weather events impact supply chain/third parties affecting business continuity
- Extreme weather events impact members ability to obtain medical services and pharmacy services (risk driver expanded in 2024 to include pharmacy services)
- Extreme weather events impact providers ability to deliver medical services
- Extreme weather events impact our employees/contingent workers ability to work affecting business continuity (newly added in 2024)
- Population health impacts from climate change and disease affect claim costs affecting our pricing model
- Population health impacts from climate change and disease impact healthcare affordability in the long term (newly added in 2024)
- Population health impacts from climate change and disease affect members' health
- Health impacts from climate change disproportionately affect the health of vulnerable populations
- Energy and Carbon taxes and regulations
- Investment Strategy
- Loss of Reputation

Opportunity Drivers:

- Resilience and continuity planning – Supply Chain
- Resilience and continuity planning – Operations
- Climate-smart healthcare delivery models
- Climate positive health plans
- Research potential costs of climate on human health
- Energy and water efficiency
- Decarbonize value-chain
- Impact Investing Strategy
- Climate leadership

*C. 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.

Blue Shield of California's innovative plan, Virtual Blue, connects virtual and in-person care for a simpler, more effective, likely lower-carbon healthcare experience. Virtual Blue integrates primary, behavioral, specialist, and 24/7 urgent care – with virtual doctors as diverse as the populations they serve. A dedicated, multi-disciplinary virtual care team guides the member's experience, focusing on their preferences, needs and goals. Our [early research](#) indicates that virtual/hybrid care may reduce carbon emissions related to delivery of healthcare and may help members access care during climate-related events.

Virtual Blue is designed to connect an otherwise fragmented care experience. Members can access their care through a single sign-on to see a virtual doctor within 1-3 days, including primary care, behavioral health and more than 20 specialist care types. To further personalize and integrate the experience, a health coach helps members with appointments, labs, prescriptions, and more. Electronic medical records can be shared across a member's full virtual and in-person care team. Virtual Blue removes a cost barrier to care with unlimited \$0 virtual visits. Virtual care can help avoid costly urgent care and emergency room visits, control ongoing health costs, and realize better health outcomes faster.

Additionally, there are other solutions that the Blue Shield of California Health Solutions team has implemented that may have a positive environmental impact by decreasing unnecessary utilization of care. Examples of this include value-based payment models, digitized longitudinal health records which enhance visibility and decrease duplicative care, and community health programs (advocates, doulas) which help ensure equity, access and better patient navigation to appropriate sites of care. However, we do not yet have sufficient data to fully evaluate environmental impacts of these programs. We continue to build capacity and resources to better track decarbonization and environmental benefits that these programs may create for Blue Shield of California, providers and our members in the future.

- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

We have invested in virtual care, digitizing health (i.e., reducing paper), a comprehensive patient record, real-time claims, and other measures to enhance efficiency in the healthcare insurance sector. It is generally presumed that these efficiencies can also have environmental benefits by reducing resource consumption.

Our investment managers incorporate ESG factors into their assessments of securities. All else equal, we prefer securities which show superior social and governance practices and/or are determined to be Green Bonds, Social Bonds, Sustainable Bonds or Sustainable Development (SDG) Bonds.

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

N/A, this work has not yet been done at Blue Shield of California.

## 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. \*

Climate related risks are currently factored in as a 'residual trend' (i.e., gradual multi-year phenomena). This year, we incorporated a new risk driver that concerns the climate impacts to healthcare affordability in an effort to recognize that the impacts could arise in areas beyond our pricing model. For example, member out of pocket costs or provider costs could be considered under the new risk driver wording.

- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable. \*

We have reached out to members and provided information during emergent climate events (e.g., during poor air quality events as a result of wildfires). Additional work should be considered to enhance resiliency amongst members.

- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered. \*

Our investment managers incorporate ESG factors into their assessments of securities. All else equal, we prefer securities which show superior social and governance practices and/or are determined to be Green Bonds, Social Bonds, Sustainable Bonds or Sustainable Development (SDG) Bonds.

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

The Climate Risk Working Group meets on an annual basis to assess climate-related risks and opportunities via a (mostly) qualitative assessment. The approach supports TCFD (Taskforce on Climate-related Financial Disclosures)-aligned external reporting.

The risk drivers identified are linked to a range of acute and chronic physical impacts of climate change, and transitional risks and opportunities, such as shifts in climate policy, markets and reputation. Ratings are set for inherent and residual risk, ranging from very low to very high (5 options).

*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. \*

Blue Shield of California does not currently have a process to assess the specific financial implications from climate events. However, financial implications are generally understood for select business areas – many of which could be impacted by a climate event.

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

The climate risk working group is responsible for prioritizing climate risk drivers to ensure sufficient inclusion in business continuity and incident response plans. Individual business units are responsible for business continuity plans.

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

Results of the climate risk working group are shared with the Enterprise Risk Management team. A subset of risk drivers, as identified by the climate risk working group, are selected for further management conversation to ensure inclusion in business continuity and incident response plans.

*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.

Climate-related risks are included as part of the annual Enterprise Risk Assessment (ERA), with new updates as needed.

- 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.

Not yet done.

- 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.

Not yet done.

## 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.

The IT team and one of our subsidiaries both conducted workshops to understand how natural disasters could impact their operations.

In 2023, a quantitative assessment was conducted to better understand the impacts of climate events to our office spaces and to co-located data centers utilized by Blue Shield.

*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.

Our annual climate risk assessment is our primary tool to assess climate-related risks and opportunities. This assessment rates various risk drivers from very low to very high for inherent and residual risks. In 2024, our assessment indicated that vulnerable populations are at heightened risk of impacts from climate events concerning continuity of care impacts and health impacts. Additionally, our offices in Sacramento and El Dorado counties are at highest risk of experiencing impacts from climate-related events including wildfires, extreme precipitation, drought, and heatwaves. The primary operational impact is likely from increased frequency and duration of power outages. However, climate-related risks also exist at our other locations. Some of our suppliers and third-parties also have heightened exposure to climate events, particularly in certain geographies

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

For reporting year 2023, we expanded our scope to include all scope 1, 2, and 3 emissions of our subsidiaries in our Greenhouse Gas Inventory. We are still in the process of finalizing the inventory and getting it verified by a third-party. We can send the emissions data once finalized and verified, anticipated in Q4 2024. In future years, we anticipate having this data available before the submission of this survey.

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

Climate Risk Targets not yet set.

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