

# NAIC CLIMATE RISK DISCLOSURE SURVEY

## TCFD-ALIGNED QUESTIONS

MedStar Family Choice, Inc.

NAIC Number 14227

August 29, 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.*

***Proposed Reply:*** MedStar Health has assembled a cross-functional team, led by the Executive Vice President of CAO & Legal Counsel, to address governance of environmental stewardship and sustainability, including climate-related risks, which includes an enterprise-wide Environmental Sustainability Leadership Council. In addition, Medstar Health's annual enterprise risk management assessment evaluates the likelihood, impact, and mitigation steps surrounding environmental risk such as climate change. Multiple MedStar Health departments and management leaders have a role in overseeing, assessing, and managing climate-related risk, including the Facilities Operations, Information Systems, and Supply Chain Management departments.

### 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.*

**Proposed Reply:** *MedStar Health leaders consider how climate-related risks and opportunities impact business operations, strategy, and financial planning. MedStar Health's annual enterprise risk management assessment evaluates the likelihood, impact, and mitigation steps surrounding environmental risk such as climate change and informs subsequent workplan items. Medstar Health has a plan within Facilities Operations to track, trend and reduce Scope 1 and 2 emissions from building systems. There are several projects scheduled for fiscal year (FY) 2025 to reduce energy use and subsequent emissions including LED upgrades, steam plant upgrades and various HVAC systems and controls upgrades, recycling programs and hospital "Green Team" grassroots efforts. Medstar Health benchmarks their energy use and emissions through the Energy Star Portfolio Manager and Key Green Solutions platforms. Outside of Facilities Operations, there are several initiatives underway that lead to reduced Scope 3 greenhouse gas emissions, such as waste minimization and diversion, increasing native plants and tree canopy coverage, sourcing local foods and sustainable products, promoting alternative transportation, telework and videoconferencing, and increased utilization of telehealth services, sustainable procurement practices with environmentally preferred purchasing, and antimicrobial/antibiotic stewardship. Climate related risks are discussed below under Risk Management.*

*MedStar Health has educational initiatives related to health, safety, and wellness but has not expressly engaged in initiatives to engage constituencies on the topic of climate change. Regarding products and services, MedStar Family Choice does not currently enroll any individuals into its health maintenance organization business so it does not currently offer any products and services of the type mentioned in this survey.*

## **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.

Proposed Reply: MedStar Health's annual enterprise risk management assessment evaluates the likelihood, impact, and mitigation steps surrounding environmental risk such as climate change. In addition, creating infrastructure resiliency is a priority for Medstar Health Facilities Operations. As part of the FY 2022 Capital Investment strategy, Medstar Health began expanding emergency power across the health system starting with generators and business continuity to mitigate against a power loss event. Furthermore, Medstar Health routinely conducts a hazard vulnerability analysis within Emergency Management operations that considers a variety of natural and manmade disasters, which are risk stratified based on severity and level of preparedness. Resources are allocated to address high risk events that could threaten the health system's patient capacity, disrupt services, reduce supply chain, and damage facility infrastructure. Additionally, business continuity plans are in place to prevent and recover from potential threats.

MedStar Health has considered the impact of climate change on its investment portfolio. MedStar Health, Inc.'s investment strategy involves contracting with external investment managers to manage the various investment portfolios across its entities. External investment managers are expected to understand the risk and return impact of climate change on their investments. The company has altered its investment strategy in response to these considerations. Investment manager' evaluation of the impact of climate change on their investments will continue to be monitored.

## 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.*

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

***Proposed Reply:*** *As an organization, MedStar Health has taken this topic seriously, and has completed some preliminary initiatives to assess climate and its effects on our infrastructure resilience and procurement initiatives. Based on MedStar Health's annual enterprise risk management assessment, the geographical areas of focus include the Mid-Atlantic region because MedStar Health's primary business operations are in this area. The current or anticipated risks include risks which could impact the entirety of business operations and disaster recovery efforts. MedStar Health is taking actions to manage the risks climate change poses to the business as noted above, but to the respondent's awareness doesn't employ computer modeling in part because MedStar Health is not a property, casualty, or flood insurer.*