PREMERA BLUE CROSS

# 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.

# 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.

   *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 environmental goals include:*
   - *Protect health and wellbeing*
   - *Report GHG emissions on an annual basis*
   - *Promote energy efficiency*
   - *Reuse and recycle*
   - *Achieve a minimum of 75 percent waste diversion*
   - *Upgrade systems to increase water conservation*
   - *Promote sustainability in procurement decisions*
   - *Enable and urge customers to select paperless Explanations of Benefits*
   - *Emergency planning to enhance resilience*
   - *Engage employees to promote sustainability*

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.

   *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.*

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. The group meets bi-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*

## CLOSED ENDED QUESTIONS

A. Does the insurer have publicly stated goals on climate-related risks and opportunities? *Yes*

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 team.*

   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.*

*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 change performance. 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 foodservice supplier has joined CDP's A list of global climate change leaders. 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.*

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. Implementing low-emission development strategies has reduced GHG emissions and increased resilience to the effects of climate change.*

## 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

**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.**

*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. Our conclusion is that PBC owned assets will retain economic value despite climate-related risks.*

*Transition risks include current and emerging regulations, market, and reputational risk. Regulations may impose restrictions that have an 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. A new mechanical system with lower-carbon refrigerants was installed, which reduced energy and increased resiliency with adaptive thermal comfort.*

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

*PBC's approach to managing climate-related risks has been described in section 2.*

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.*

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## CLOSED ENDED QUESTIONS

- **A.** Does the insurer have a process for identifying climate-related risks? *No* If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process?
- **B.** Does the insurer have a process for assessing climate-related risks? *No* If yes, does the process include an assessment of financial implications?
- **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 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:

   *PBC has set commitments for two core sustainability pillars–energy and waste—to monitor our efficiencies in our operations and value chain.*

   *Energy targets: Drive energy efficiency improvement, reduce energy intensity in daily operations*

   *Waste targets:*
   - *Divert 75 percent of operational waste*
   - *Divert 84 percent of construction waste*
   - *Donate or recycle 100 percent of unused furniture during decommissioning*
   - *Compost 100 percent paper towels and food containers*

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

   *PBC's GHG emissions for 2022 were: Scope 1 = 856 tCO2e; Scope 2 = 1,021 tCO2e; Scope 3 = 4,036 tCO2e; Total GHG emissions = 5,913 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*