

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.
- 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.

Response: The Enterprise Risk Management Committee is responsible for identifying and monitoring risks at Fallon Health. The ERM Committee meets at least 4 times annually and is comprised of high-level managerial employees (Director and above). A subcommittee of the ERM creates the annual Own Risk and Solvency Assessment report, which is submitted to the Division annually. The Audit & Compliance Committee represents Fallon Health's Board of Directors in overseeing the ERM process. Fallon Health has no publicly stated goals on climate-related risk and opportunities.

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.

Response: Fallon Health has not identified any **material** climate-related risks or opportunities through the Enterprise Risk Management framework described in Question 1.

Fallon Health primarily participates in a variety of Medicaid and Medicare government products. We provide coordinated, integrated care for seniors and individuals with complex health needs. We engage key constituencies in our stated funding priority areas: food insecurity and health initiatives for older adults, which are consistent with Fallon Health's status as a government programs focused HMO.

Fallon Health's Program of All-Inclusive Care for the Elderly (PACE) serves elderly participants. This population can be significantly medically compromised during high summer temperatures especially if participants have certain medical conditions such as asthma. If the PACE team identifies that a participant would medically benefit from air conditioning then we will purchase an A/C unit for them. This is one way Fallon Health helps participants adapt to the climate-related risk of global warming.

We do take environmentally favorable measures when possible, for example, our hybrid work policy results in fewer employees commuting on a daily basis, which helps lower the carbon economy. In addition, we will be moving to a new corporate headquarters in October and the new location is LEED Silver certified. According to the Department of Energy LEED buildings use 18-35% less energy than conventional buildings.

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.

Response: Fallon Health is a health care services company primarily providing government products to individuals. We no longer underwrite group employer policyholders.

As it relates to investments, the company engages Mercer, as its investment consultant. The Mercer team is comprised of investment professionals who incorporate risk management into their advice to Fallon Health on managing the investment portfolio. Mercer has a deep bench of investment research professionals who incorporate climate change risk into their suggestions for managing client portfolios.

Climate related risks would be addressed through the general ERM framework described above. Fallon Health currently does not model out climate risk scenarios.

Fallon Health does maintain a Business Continuity Plan (BCP). The BCP is managed by the Business Continuity Committee. The Committee meets quarterly. The BCP provides the framework for the company's response to any event that disrupts the normal course of business, including climate-related events.

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.*

Response: The ERM framework previously outlined in this document has not identified any material climate-related risks. Fallon Health does not conduct modeling nor has it established metrics or targets related to climate-related risks.

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