

Climate Risk Survey 2022

This Report is the Health Alliance Plan of Michigan and subsidiaries (collectively referred to as “HAP”) response to the Climate Risk Disclosure inaugural survey for fiscal year 2022 filing as required by The State of Michigan Department of Insurance and Financial Services (“DIFS”). This response describes HAP’s approach to Climate Risk. HAP’s Enterprise Risk Management (ERM) process is overseen by the HAP Board of Directors and HAP Audit and Compliance Committee (ACC).

Health Alliance Plan of Michigan and its subsidiaries have formalized their ERM program. HAP is a wholly owned subsidiary of the Henry Ford Health (HFH). The scope of this report includes Health Alliance Plan of Michigan and all subsidiary operations: Alliance Health and Life Insurance Company (AHL), HAP Empowered Health Plan, Inc. (HAP EHP), and Administration Systems Research Corporation (ASR).

HAP provides multiple benefit options to the marketplace, and is regulated by multiple entities, including the State of Michigan Department of Insurance and Financial Services, Federal Office of Personnel Management and the Centers for Medicare and Medicaid Services (CMS).

- Health Alliance Plan of Michigan offers HMO, POS and Medicare Advantage products to individuals, groups and government entities.*
- AHL is a Michigan stock life and health insurance company. AHL offers insured products, including Medicare Advantage, to individuals, groups and government entities and administrative services for self-funded group products.*
- HAP EHP is a licensed health maintenance organization that provides health care services to Medicaid and Medicare enrollees.*
- ASR is a licensed TPA and provides claims processing for employer groups.*

With climate change being a global concern for all entities, including HAP. HAP is committed to adopting an approach that will safeguard its customers while having sustainable business practices and adequate returns.

Governance

- A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.*
- B. Describe management's role in assessing and managing climate-related risks and opportunities.*

The CEO and senior executives are responsible for managing HAP’s risk. The Risk Oversight Committee is chaired by HFHS’s Vice President of Business Integrity and the HAP Chief Financial Officer (“CFO”). The Risk Oversight Committee’s primary purpose is to perform

centralized oversight, policy setting, information gathering and communication with HAP's executive leaders and the Board's Audit and Compliance Committee regarding important risks and related risk management activities. The Committee monitors and approves risk management practices by:

- Approving HAP's enterprise-wide risk management framework;*
- Overseeing that HAP is carrying out its enterprise risk management processes, including ensuring that risks are identified, prioritized, and assessed and that HAP has an established risk management infrastructure capable of appropriately addressing those risks; and*
- Ensuring appropriate internal and external risk management reporting.*

This Committee has the authority to conduct investigations into any matters within its purview to perform its responsibilities.

Responsibilities

Additional responsibilities of the Risk Oversight Committee include:

- Establish policies and procedures for governance of HAP's Enterprise Risk Management function, review the risk management plan, and ensure that risk identification and management are integrated into HAP's strategic planning process.*
- Assume responsibility for implementation and ongoing management of the ERM program.*
- On an ongoing basis, obtain reasonable assurance from management that known and emerging risks have been identified, prioritized and mitigated or managed to help reduce the risks to acceptable levels.*
- Adopt a formal risk appetite statement for HAP along with Key Risk Indicators, a risk reporting format, an incident reporting process, and frequency of Risk Oversight Committee meetings.*
- Report to executive leaders and the HAP Board, as appropriate, concerning major risk exposures and steps management has taken to monitor and control such exposures, including HAP's risk assessment and risk management process.*
- Implementation, maintenance, monitoring and annual regulatory reporting, as required for compliance with the ORSA laws.*
- Report to the Board Audit and Compliance Committee on a quarterly basis.*
- Ensure timely external reporting as required by applicable law or regulation.*

Major risk categories and descriptions are included in HAP's most recent ORSA Report that has filed with DIFS.

Strategy

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

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

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

HAP has not made any specific goal concerning climate related risks and opportunities. The Audit Committee of the Board of Directors is responsible for risk oversight and receives risk updates on a regular basis. At an operating level, Risk Owners are assigned to all key risks. A Risk Oversight Committee (ROC) oversees in an Enterprise Risk Management and participate in the Own Risk Solvency Assessment (ORSA) reporting. To date, HAP has not been impacted by climate change and does not envision it presenting a material impact to our business.

Risk Management

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

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.

HAP's Audit and Compliance Committee of the Board of Directors is responsible for the enterprise risk oversight, receiving quarterly updates from the Chief Risk Officer. A Risk Oversight Committee (ROC) was established that informs the Executive Leadership Team (ELT) on an ongoing basis the status of identified risks. This oversight committee is comprised of a sub-set of the ELT along with other key business owners. The ROC is co-chaired by the HAP CFO and the Chief Integrity Officer from the parent organization. The regular members of the team are Deputy General Counsel, VP Finance, Chief Compliance Officer, Director of Internal Audit, Enterprise Risk Specialist and CIO. There is also representation by other risk owners (e.g., marketing, actuarial services, data analytics, claim processing and provider contracting) dependent on meeting agenda.

All enterprise risks are placed in one of six categories: operational, financial, strategic, compliance, people, and culture or legal and legislative. On a regular basis, the ROC meets to discuss current and emerging risks and monitor any positive/negative variances to metrics. At this time, HAP has not seen any material climate change impacts and is not tracking any climate-related risks or emerging risks at this time.

Business continuity plans at HAP are also reviewed on a regular basis by the ROC. This makes provision for handling continuity of care in the event of weather-related events such as Ice Storms, snow cyclones, blizzards, and tornadoes peculiar to the geographic operational regions of HAP & its partners.

HAP maintains appropriate insurance coverage for all aspects of its business including, building and contents cover, business interruption, loss of revenue, flood cover etc. In policy and practice, there are clear guidelines about 'essential travel' in extreme weather including

evacuation plans in place in case extreme weather occurs during work hours with accommodations in place for vulnerable members of staff who may need special assistance. The plan is communicated to members of staff so they can respond efficiently and effectively in an emergency and whilst individual departmental training is provided, we have identified a need for more robust global training to be completed no later than CY2024.

Further HAP provides training for redundancy of roles to allow for continuity if an extreme weather event was to occur. Any identified gaps will be addressed for closure in CY2024.

HAP's current Business Continuity Plan makes provision for securing working systems; electronic files are backed up regularly on offsite external drives and within the Cloud. Business partners who support HAP's business are also routinely risk assessed by the Information Privacy & Security Office. There exists opportunity to expand this review to ensure Climate awareness and readiness.

Metrics and Targets

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

Currently, HAP does not have formalized metrics and targets specific to climate related risks and opportunities nor does it have any formally announced climate disclosures or commitments beyond this survey; however, in the event that HAP determines climate risk is material to the business, these risks would be established and overseen by the ROC with the support and guidance of the Audit and Compliance Committee of the Board of Directors.