California Department of Insurance

INSURER CLIMATE RISK DISCLOSURE SURVEY
For Calendar Year 2010

Due Date: **May 1, 2011**

Instructions:

i. **Insurers are required to submit the** *Climate Risk Disclosure Survey* **to the domestic regulator by May 1 each year.** Surveys are intended to be submitted to the domestic regulator of insurer group's lead state (i.e. the regulator overseeing the insurer within the group that reports the largest direct written premium volume.)

ii. Narrative responses are acceptable. Where an insurer's response to other disclosure mechanisms, such as the Carbon Disclosure Project (CDP) or Global Reporting Initiative, explicitly addresses the subject matter of a question in this survey, the insurer may reference and attach their most recent response to that external mechanism in lieu of providing a duplicative response.

iii. Insurers are required to answer all questions in good faith and with meaningful responses. However, there is no requirement to provide information that is immaterial to an assessment of financial soundness (insurers may choose to disclose such information voluntarily, with no implication that such information is in fact material).

iv. Insurers are **not** required to provide quantitative information, provide information that they in good faith believe is commercially sensitive or proprietary, or provide forward-looking information. If an insurer chooses to provide forward-looking information, the insurer may disclaim any responsibility for the accuracy of such forward-looking information. Provided the insurer supplies such information in good faith, it may condition its response with a waiver of any claim under any theory of law based on the inaccuracy of such information.

FAD-204 (12/09)

California Department of Insurance

INSURER CLIMATE RISK DISCLOSURE SURVEY
For Calendar Year 2010

Due Date: **May 1, 2011**

Company Name:	**Anthem Blue Cross Life and Health Insurance Company**				
NAIC No.	62825	**NAIC Group No.**	0670	**Domiciled State:**	CA
CA Direct Premiums Written	$4,969,421,950	**Nationwide Direct Premiums Written**	$4,969,421,950		

Survey Questions	Comparable CDP Questions
1. Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations? If yes, please summarize. **Answer**: Yes, our parent company, WellPoint Inc., collaborates with a third party energy and facility management vendor on an Energy Plan focused on using natural resources wisely, providing efficient working conditions for employees and reducing energy usage related to real estate operations. As part of this plan, in recent years our parent company has completed site audits on its primary facilities from which they continue to implement a number of energy conservation measures. Examples of measures being taken include, but are not limited to: the use of motion sensors to control our lights in large common areas, the utilization of energy efficient lighting, and leveraging the building's energy management system so that we are running our HVAC equipment at optimal and efficient levels. In addition, our parent company is implementing a computer power policy that is expected to deliver a significant reduction in our GHG emissions resulting from computer electricity utilization. WellPoint Inc. started tracking its carbon footprint in 2008 and assesses progress on an annual basis. In 2009, we started reporting our performance externally as part of the Carbon Disclosure Project (www.cdproject.net).	Performance Question 21
2. Does the company have a climate change policy with respect to risk management and investment management? If yes,	

please summarize. If no, how do you account for climate change in your risk management? **Answer:** No, the company does not have a climate policy with respect to risk management and investment management. We monitor our exposure to climate change related regulatory risks through the collective efforts our Corporate Real Estate team, our Enterprise Risk Management team, and our parent company's Public Affairs team. The Public Affairs team monitors the regulatory environment at both a local and federal level to identify existing or potential future risks and provides information for integration into the business planning process for all relevant business units. At the Board governance level, the Planning Committee of the Board of Directors is responsible for guiding efforts related to environmental sustainability and reviews positioning on an annual basis.	
3. Describe your company's process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications. **Answer:** In terms of identifying risks, our efforts in regulatory risk management are discussed in question 2. For risks to day-to-day business operations, our parent company has a Business Continuity Management team with plans in place to respond effectively to any unplanned event assuring survivability of the enterprise as defined by stakeholder expectations. We view the risk of financial implications related to climate change as minimal given the nature of our business.	Risks and Opportunities Questions 1-3
4. Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks. **Answer:** As a health care insurance company we do not produce products or services that generate significant Scope 1 emissions. As a result, we expect that we will be able to comply with any regulatory changes such as heightened energy efficiency standards or greenhouse gas emissions caps / taxes with minimal financial	Risks and Opportunities Questions 1-3

impact to the company. However, we do consider there to be three types of risk related to climate change for the company. First, there is the physical risk that an increase in the threat of extreme weather caused by climate change enhances the concern of ensuring business operations continue and associates are kept safe at all time. Secondly, climate change could result in energy or resource scarcity, which in turn would create higher energy costs. Although energy costs make up only a minor part of our overall cost of operations, the threat of increasing energy expenses is a concern for all businesses. Lastly, climate change may have an impact on the environmental health of communities and, ultimately, the impact this may have on the personal health of the members we serve. Global warming may lead to sicker populations, an increase in the prevalence and spread of infectious diseases and increased cases of respiratory conditions. Additionally, research has already shown that some diseases (e.g. asthma, diabetes) have ties to the environment. The extent the health of our members and the cost trend of providing quality health care are impacted by changing environmental conditions could impact our company.	

California Department of Insurance

INSURER CLIMATE RISK DISCLOSURE SURVEY
For Calendar Year 2010

Due Date: **May 1, 2011**

Company Name:	**Anthem Blue Cross Life and Health Insurance Company**				
NAIC No.	62825	**NAIC Group No.**	0670	**Domiciled State:**	CA
CA Direct Premiums Written	$4,969,421,950		**Nationwide Direct Premiums Written**	$4,969,421,950	

5. Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken. **Answer:** No, the impact of climate change is not addressed in our Investment Portfolio Policy and, at this time, we do not have plans to incorporate.	Risks and Opportunities Question 3: "Other Risks" Question 6: "Other Opportunities"
6. Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events. **Answer:** To date, we have not taken any steps to specifically encourage our policyholders to reduce the losses caused by climate change influenced events.	Risks and Opportunities Questions 4-6
7. Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change. **Answer:** Initiatives undertaken by our parent company have allowed us to take modest steps in engaging constituencies on the topic of climate change. First, through the efforts of our Procurement unit we have integrated environmental policies as a component of how we evaluate all vendors with which we do business. Secondly, we offer electronic document distribution options for the majority of member, provider and employee communications and continue to pursue opportunities to reduce paper communications through electronic forms. For additional details on our parent company's efforts related to environmental sustainability you can review online WellPoint's 2010 Corporate Responsibility report (www.wellpointcorporateresponsibility.com/cr/index.html) or	Governance Questions 24, 26, 27

WellPoint, Inc's Carbon Disclosure Project response (www.cdproject.net).	
8. Describe actions your company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling. **Answer**: We have not integrated any computer or financial modeling of the risks of climate change into our business practices. However, as referenced in question 3, we do have a Business Continuity Management team responsible for managing the operational risks that climate changes poses to our business. In addition, the operational and facility efficiency improvements we are making today (as referenced in question 1) will mitigate the risk of future regulatory actions having a negative impact on the company. For additional details on our parent company's efforts related to managing the risks of climate change you can review WellPoint, Inc's Carbon Disclosure Project response online (www.cdproject.net).	Risks and Opportunities Questions 1-3

California Department of Insurance

Climate Risk Disclosure Survey Guidance

Discussion

This document offers guidance to insurers responding to the annual mandatory Insurer Climate Risk Disclosure Survey (hereafter referred to as the "Survey"). Those questions contained in this guidance document which are not part of the official set of Survey questions are intended only to guide respondents as they craft their responses to the Survey and are not compulsory.

Guidance Notes

Survey Application and Instructions

i. Response Submissions

Mandatory disclosure will depend on the premium amounts reported for the most immediate prior financial reporting year. If an insurance group reports over **$300,000,000** for **2010**, it must complete the survey and submit it to its domestic regulator on or before **May 1, 2011**. However, if an insurance group reports less that that, it will not be required to complete and file the survey, but it may do so voluntarily.

ii. Quantitative and Forward-Looking Information

Insurers are not required to submit quantitative information but may do so without implying materiality. Insurers are encouraged to provide quantitative information where it offers additional clarity on trends in the intensity or attenuation of natural hazards, insured losses, investment portfolio composition, policyholder risk reduction or improvements in computer modeling. As climate science improves (i.e. when there is greater agreement between observed data and models or when there is integration of catastrophe and climate models), insurers should be able to provide quantitative information with less uncertainty.

Insurers are encouraged but not required to provide forward-looking information that will indicate the risks and opportunities insurers may face in the future; when provided, insurers may disclaim any responsibility for the accuracy of such forward-looking information. Forward-looking information is assumed to have some degree of uncertainty; if provided, insurers should offer explanation on the degree and sources of uncertainty as well as assumptions employed.

iii. Response Required

Insurers in all segments of the industry are required to respond to all eight questions. An insurer may state that a question is not relevant to its business practice, operations or investments. However, if it does so, it must also explain why the question is not relevant.

Survey Questions

Question One: ***Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations? If yes, please summarize.***

Insurers who are unfamiliar with frameworks for greenhouse gas emission measurement and management are encouraged to review the principles of "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)" developed by the World Resources Institute and the World Business Council for Sustainable Development ("the GHG Protocol").

Each insurer is encouraged to clarify whether its plan for measuring and management of its emissions in operations and/or its subsidiary organizations' operations includes emissions related to energy use for data storage or other computing-intensive processes.[1]

Question Two: ***Does the company have a climate change policy with respect to risk management and investment management? If yes, please summarize. If no, how do you account for climate change in your risk management?***

Questions to consider include:

- Where in the structure of the company is climate risk addressed?
- Does the company approach climate change as an Enterprise Risk Management (ERM) issue?
- Does the company have a dedicated point-person or team within the company that is responsible for managing its climate change strategy?
- What is the role of the board of directors in governing climate risk management?
- Does the company consider potentially correlated risks affecting asset management and underwriting?
- Has the company issued a public statement on its climate policy?

Question Three: ***Describe your company's process for identifying climate change related risks and assessing the degree that they could affect your business, including financial implications.***

Questions to consider include:

- How may climate change shift customer demand for products?
- What implications may climate change have on liquidity and capital needs?
- How might climate change affect limits, cost and terms of catastrophe reinsurance, including reinstatement provisions?
- Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?
- How are these impacts likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?

---

[1] Data centers consume more energy than any other area of an organization because they contain both IT equipment and the infrastructure that is needed to cool that equipment. The Environmental Protection Agency found that data centers consumed about 60 billion kilowatt-hours (kWh) in 2006, roughly 1.5 percent of total U.S. electricity consumption. Nancy Faig, Insurance & Technology "The Greening of Data Centers" Mar 07, 2008 URL: http://www.insurancetech.com/showArticle.jhtml?articleID=206902492.

Question Four: ***Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by risks.***

Questions to consider include:

- Which business segments or products are most exposed to climate-related risks?
- Has the company considered its potential exposure to climate liability through its D&O or CGL policies?
- Are there geographic locations, perils or coverages for which the company has increased rates, limited sales, or limited or eliminated coverages because of catastrophic events? How do those actions relate to assessments of climate change impacts made by the company?
- Has the company examined the geographic spread of property exposures relative to the expected impacts of climate change, including a review of the controls in place to assure that the insurer is adequately addressing its net exposure to catastrophic risk?

Question Five: ***Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken.***

Questions to consider include:

- Does the company consider regulatory, physical, litigation, and competitiveness-related climate risks, among others, when assessing investments?
- Has the company considered the implications of climate change for all of its investment classes, e.g. equities, fixed income, infrastructure, real estate?
- Does the insurer use a shadow price for carbon when considering investments in heavy emitting industries in markets where carbon is either currently regulated or is likely to be regulated in the future?
- Does the insurer factor the physical risks of climate change (water scarcity, extreme events, weather variability) into security analysis or portfolio construction? If so, for what asset classes and issuers (corporate, sovereign, municipal)?
- How does climate change rank compared to other risk drivers, given the insurer's asset liability matching strategy and investment duration?
- Does the insurer have a system in place to manage correlated climate risks between its underwriting and investments?

Question Six: ***Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.***

Questions to consider include:

- How has the company employed price incentives, new products or financial assistance to promote policyholder loss mitigation? In what lines have these efforts been attempted, and can the outcome of such efforts be quantified in terms of properties retrofitted, losses avoided, etc.?

- For insurers underwriting D&O, CGL and professional liability policies, what steps has the company taken to educate clients on climate liability risks or to screen potential policyholders based on climate liability risk? How does the company define climate risk for these lines?

Question Seven: ***Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.***

Questions to consider include:

- How has the company supported improved research and/or risk analysis on the impacts of climate change?
- What resources has it invested to improve climate awareness among its customers in regulated and unregulated lines?
- What steps has it taken to educate shareholders on potential climate change risks the company faces?

Question Eight: ***Describe actions your company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling.***

Questions to consider include:

- For what perils does the company believe that future trends may deviate substantially from historical trends due to changes in the hazard? Similarly, for what perils, if any, does the company believe that a catastrophe model extrapolating observed trends would be insufficient to plan for maximum possible loss or yearly average loss? What steps has the company taken to model or analyze perils associated with non-stationary hazards?
- Has the company used catastrophe models to conduct hypothetical "stress tests" to determine the implications of a wide range of plausible climate change scenarios? If so, over what timescale, in what geographies and for what perils?
- Has the company conducted, commissioned or participated in scenario modeling for climate trends beyond the 1-5 year timescale? If so, what conclusions did the company reach on the potential implications for insurability under these scenarios?

California Department of Insurance

Climate Change Resources for Insurers

There are many publications and websites that can provide insurers with a useful overview of the potential impacts of climate change on the insurance sector. The following resource list is not comprehensive but offers a good starting point for insurers seeking more information on the scientific basis of climate change, risks to insurers, catastrophe modeling, public policy, liability, risk management and impacts on insurer investments.

Impacts of Climate Change on the Insurance Sector

Geneva Association, Climate Change and its Economic Impact on Insurance URL: http://www.genevaassociation.org/Home/Climate_Change.aspx.

Insurance Information Institute, Climate Change, Insurance Issues URL: http://www.iii.org/disasters/ClimateChange.

Hecht, Sean. 2008. "Climate Change and the Transformation of Risk: Insurance Matters," UCLA Law Review, Vol. 55: 1559-1620. URL: http://ssrn.com/abstract=1159853

Mills, Evan. 2008. "From Risk to Opportunity: 2008 Insurer Responses to Climate Change." URL: http://www.ceres.org/Document.Doc?id=417.

NAIC Climate Change and Global Warming (EX) Task Force. 2008. "The Potential Impact of Climate Change on Insurance Regulation." URL: http://www.naic.org/store_pub_whitepapers.htm#climate_change.

Ross, C., E. Mills, and S. Hecht. 2007. "Limiting Liability in the Greenhouse: Insurance Risk-Management in the Context of Global Climate Change." Stanford Environmental Law Journal and the Stanford Journal of International Law, Symposium on Climate Change Risk, Vol. 26A/43A:251-334. URL: http://eetd.lbl.gov/EMills/PUBS/PDF/Liability-in-the-Greenhouse.pdf.

Life and Health Insurers and Climate Change

Harvard Medical School, Center for Health and the Global Environment, "Climate Change Futures: Health, Ecological, and Economic Dimensions." URL: http://chge.med.harvard.edu/programs/ccf/index.html.

Health Canada, "Climate Change: Preparing for the Health Impacts, Health in a Changing Climate." URL: http://www.hc-sc.gc.ca/sr-sr/pubs/hpr-rpms/bull/2005-climat/2005-climat-5-eng.php.

McGeehin, M. A. and M. Mirabelli. 2001. "The potential impacts of climate variability and change on temperature-related morbidity and mortality in the United States," Environmental Health Perspectives. May, Vol. 109, Suppl. 2: 185–189. URL: http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1240665/pdf/ehp109s-000185.pdf

Ebi, Kristie L. and Glenn McGregor. 2008. "Climate Change, Tropospheric Ozone and Particulate Matter, and Health Impacts," Environmental Health Perspectives. November, Vol. 116, Suppl. 11: 1449–1455. URL: http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2592262/

Climate Change Disclosure

World Resources Institute and the World Business Council for Sustainable Development, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)." URL: http://www.ghgprotocol.org/standards/corporate-standard.

Carbon Disclosure Project ("CDP") URL: http://www.cdproject.net/.

Global Reporting Initiative ("GRI") URL: http://www.globalreporting.org/Home.

Climate Change Science

Intergovernmental Panel on Climate Change (IPCC). 2007. "Climate Change 2007: The Physical Science Basis." For a summary of the IPCC's 2007 reports, see IPCC, "Climate Change 2007: Synthesis Report – Summary for Policymakers," IPCC. URL: http://www.ipcc.ch/ipccreports/ar4-wg1.htm.