



Generali Group

EMERGING AND SUSTAINABILITY RISKS BOOKLET

2023 UPDATE
GROUP RISK MANAGEMENT



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FOREWORD

The global context has lately shown an **intensification of geopolitical tensions** with related **macroeconomic** consequences, an increasing attention towards sustainability topics, such as **climate and demographic changes**, a **growing spread of innovative technologies**. These are only some of the vulnerabilities perceived today as main concerns. In this evolving context, thinking proactively is key to enhance our level of preparation for a better understanding and management of future challenges.

Emerging and sustainability risks, arising from new or future risks, are difficult to perceive and quantify, mainly due to their long-term implications and uncertain development over time. Therefore, appropriate identification and assessment of these risks are fundamental considering their potential evolution into future threats. **Generali Emerging and Sustainability Risks Booklet** provides an overview on future risks that could impact the Group risk profile for their prompt and proper management.

This Booklet leverages on the “Lifetime Partner 24: Driving Growth” strategy, in which sustainability is one of the characterising elements to build a more resilient and just society. It also gathers the professional views collected within the Group Own Risk Solvency Assessment process from the whole Generali Group.

This analysis confirms, in line with last year, that the most concerning **emerging and sustainability risks** are: Climate change and natural disasters, Geopolitical instability, Digitalisation, Demographics and social changes.

Hoping you will find in the following pages some “food for thought” on these and other risks,



Carlo Ferraresi
Generali Group Chief Risk Officer

BEFORE THE STORY BEGINS

One year has passed since the publication of the last Generali Emerging Risks Booklet.

If the past months would be summarised in a main event, it would certainly correspond to the **unstable geopolitical landscape** and its **macroeconomic consequences**. While the countries were expecting to recover from the Covid-19 pandemic, the 2022 **Russia's invasion of Ukraine** has overturned all forecasts showing an unstable geopolitical landscape and its macroeconomic consequences, including the tightening of monetary policies. The main challenge has shown to be the balancing of multiple necessities: managing inflation against preventing recession, avoiding economic burden on citizens against putting under control public debt, tackling the energy crisis against meeting carbon reduction targets. Other geopolitical dynamics, such as the US-China tensions, have the potential to add further turbulence to the global geopolitical and economic stability. The world is therefore entering a new era, with political orientations towards trade regionalisation, protectionism and extreme movements putting the current globalised world under discussion.

At the same time, the awareness around the **threats faced by our planet** is increasing as the fear of passing the point of no return arises with, for example, extreme droughts and record-high temperatures. In addition to climate change commitments to limit

global warming, actions at international and national level are under development also on other nature-related matters, as proven by the UN Biodiversity Conference, which could be considered as a first coordinated step for the preservation and restoration of nature and ecosystems. Together with institutions, regulators and the general public are also increasing their attention towards a **green and nature-positive transition**. This is a call for action that all financial players, including insurers, are urged to fulfil promptly and properly. The stakeholders' eyes are therefore all fixed not only on the companies' climate-related commitments, but also on how they do business, disclose their actions and drive the change. With increasing commitments and reporting also new risks could emerge, such as, for example, **litigation risks**, with new laws and regulations aiming at ruling green claims.

Within this context, social changes are also occurring, such as the **ageing** of the people in developed countries, squeezing the working age population, together with **migration flows**, leading to necessary changes in communities' priorities. In parallel, a more flexible but less stable working environment, together with the abovementioned political and economic uncertainties, leads populations to higher **stress** levels, which can even develop into **mental health** issues.

Last but not least, more and more **innovative technologies** are

INTRODUCTION

entering every facet of society, especially after the digital boost experienced during the Covid-19 pandemic. From the development of applications based on Artificial Intelligence to the expected adoption of the Metaverse, these improvements are opening the gates to **new opportunities and benefits** for all sectors, but are also posing increasing and still unknown concerns. Clear examples are the rising discussions on the ethical and existential implications of the advancements in Artificial Intelligence, as this technology is turning into a powerful tool that can be used also for malicious purposes, including appropriation of confidential data and **identity theft**. The main challenges already felt today and expected to be even more relevant in the future will therefore relate to **data privacy protection** and the responsible deployment of Artificial Intelligence.

In this changing environment, awareness and preparedness are key. For this reason, insurers shall turn their gaze towards the future, looking beyond current events and scanning the external context to anticipate those risks that may not be evident today but might significantly affect tomorrow. These risks are characterised by:

- a **long term horizon**, since some risks materialize with a slow progression but also with tipping points and accelerations
- a **cross-cutting nature**, since many risks imply a number of interdependencies with other risks

- a new perspective, being the **double materiality** that requires not only impacts on the Group to be observed, but also impacts generated through business activities.

In fact, insurers' engagement shall also consider **sustainability matters**. Increasingly entering in the priority list of all stakeholders, such as regulators, customers and employees, the new challenge for insurers is to deeply embed **sustainability risks** in their culture, strategy and processes, creating positive impact for clients and wider society.

To further integrate sustainability risks within our risk assessment, for the **2023 edition** we have updated this **Emerging and Sustainability Risks Booklet**.

Compared to last year's Booklet, this update includes:

1. new risks reflecting the analyses performed within the Group Own Risk Solvency Assessment (ORSA) process ended at the beginning of 2023 (i.e. inclusion of "Critical infrastructures and supply chain failures", given its increasing relevance in relation to the geopolitical landscape)
2. updated descriptions.

A brief overview of all risks is provided in the next page. Afterwards, each risk is described in detail in a dedicated page.

GROUP EMERGING RISKS YE2022

Level of concern

Risk

PESTLE dimensions



Climate change and natural disasters
Planet earth spaceship route



Risk

PESTLE dimensions

Geopolitical instability
A vulnerable world



Demographics and social changes
Young at heart in an ageing world



Pandemics & Antimicrobial resistance
Not only Covid



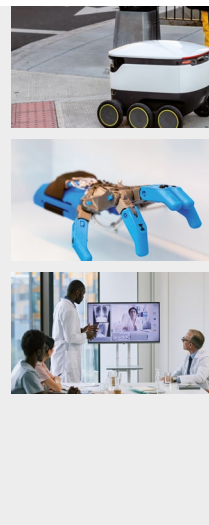
Artificial Intelligence (AI) & Smart Automation
Machine almighty



New market players from other markets
Guess who is coming to play?



Critical infrastructures and supply chain failures
No supply, no business **NEW**



Autonomous machines and new mobility
Are humans still in the driver's seat?



Lifestyle developments & medical advances
Healthier, stressed or addicted



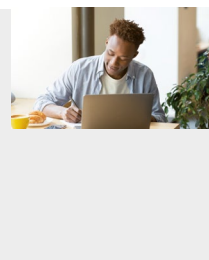
Change in healthcare
To be well or not to be well



Biodiversity loss
SOS from life forms



Mental health
The invisible enemy



Business structure development
Work different, think different



HIGH CONCERN

ACTIVE CONCERN

INITIAL CONCERN

The level of concern for Generali Group is based on expert judgement, relying on a number of risk professionals within the Group, main Business Functions and a set of external references

PESTLE dimensions



Political



Economic



Social



Technological



Legal



Environmental

HOW TO READ THE BOOKLET

Details on each risk are presented in a dedicated page through the dimensions explained in the following table

Description of what the risk means

For data sources, notes are provided in the [Bibliography](#) section

Link with materiality analysis and sustainability factors

Connection with the main sustainability factor as of Del. Reg. (EU) 2021/1256 (environmental matters, social matters, employee matters, respect for human rights matters, anti-corruption and anti-bribery matters) and with the topics identified as significant through the materiality analysis, being a synthesis of the priority corporate and social challenges for the years to come

Assessment

The level of concern of the risk for Generali Group, based on the perceived vulnerability and timeframe, are distinguished in:

HIGH CONCERN **ACTIVE CONCERN** **INITIAL CONCERN**

It is based on expert judgement, relying on risk professionals within the Group, main Business Functions and a set of external references including the Global Risks Report of the World Economic Forum and the ERI Risk Radar of the European CRO Forum. The trend in respect to previous year assessment is also provided

Examples of risk implications

Selected non exhaustive examples of risk implications for the insurance market

Relevant strategic objectives



Strategic pillars and levers based on Generali Group Strategy “Lifetime Partner 24: Driving Growth”
Strategic pillars in bold and the listed levers represent the ones related to the specific risk analysed

Strategic management actions



Actions, part of the Generali Group Strategy “Lifetime Partner 24: Driving Growth”, that could be put in place to manage the risk



CLIMATE CHANGE AND NATURAL DISASTERS



CLIMATE CHANGE AND NATURAL DISASTERS

PLANET EARTH SPACESHIP ROUTE

Climate change refers to the long-term shifts in average temperatures and weather patterns which can be natural, but since the industrial revolution in the 1800s human activities have been the main driver due to the **increase in greenhouse gas (GHG) emissions** in the atmosphere that, according to the United Nations, are warming the world faster than at any time in at least the last two thousand years¹.

More in general, natural disasters refer to violent, sudden and destructive catastrophic natural hazardous events, with atmospheric, geological, and hydrological origin, that have a disastrous effect on society or community. These include droughts, floods, hurricanes, tornados, tsunami, etc., but also not weather-related events such as earthquakes.

The impacts of climate change lead to losses caused by changes in frequency and severity of climate-related natural events also referred to as **physical risk**, and the losses caused by variation in costs and revenues deriving from the transition to a green economy also referred to as **transition risk**. Finally, potential lawsuits in case of environmental damages and of improper or missing corporate disclosure on environmental standards constitute **litigation risk**.

The effects of climate change include global warming, intense droughts, water scarcity, severe fires, rising sea levels, flooding, melting polar ice, catastrophic storms and declining biodiversity. Visible examples are: the record high temperatures in Europe during summer 2022, according

CLIMATE CHANGE AND NATURAL DISASTERS

to the European Environment Agency², with UN stating that Europe has been warming twice as fast as the global average since the 1980s³; the recent floods in European countries such as Germany and northern Italy experienced in the first months of 2023; the sea level rise between 2013 and 2022 increasing at double the pace of the one registered ten years before, according to the World Economic Forum⁴. Also the El Nino event materializing in 2023, after only four years, is a concern itself.

These and other phenomena are requiring governments, businesses and communities globally to commit towards **tighter policies** with the objective of reducing global GHG emissions, such as the Sustainable Development Goals, the UN Framework Convention on Climate Change and the Paris Agreement. Also a shift in consumer preferences is being observed with more attention towards climate-related topics, leading to the birth of movements (e.g. Fridays for future) and communities, both of people and industries, aimed at creating awareness and taking action for the transition towards a greener and more sustainable future.

Notwithstanding the several international agreements and awareness campaigns from both public and private entities, according to the latest report from the Intergovernmental Panel on Climate Change, the adaptation planning and implementation is not sufficient in some sectors and regions showing gaps that if not timely managed will lead to irreversible consequences and tipping points⁵. Therefore, the risk of irreversible climate change still persists, especially when short-term challenges escalate the political priority list such as the Russia's invasion of Ukraine which has led to an energetic crisis which required the temporary return to fossil fuel consumption. Efforts have been made to balance both short and long-term necessities, with plans aiming at reducing the European natural gas imports also through the **production of clean energy**.

For further details on climate change risk and the specific risk management framework defined by the Generali Group please refer to the [Group Annual Integrated Report and Consolidated Financial Statements 2022](#) (pp. 30-35).

Link with materiality analysis and sustainability factors

- Climate change
- Pandemics and extreme events



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

HIGH CONCERN

Confirmed from last year

Examples of risk implications

- Decreased value or stranded assets not meeting transition requirements (e.g., coal, oil, and other CO2 intensive sectors)
- Increased physical damage to own and insured assets, due to higher frequency and severity of climate events (e.g., floods, windstorms)
- Increased cost for reinsurance for vulnerable assets due to climate events
- Decreased value of buildings in coastal areas and generally for assets highly exposed to physical risks
- Reputational risk deriving from business relationship with carbon intensive companies or inadequate climate-related reporting

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins)
- **Enhance Earnings Profile** (Improve Life business profile and profitability)
- Lead Innovation

Strategic management actions



- Expand proposition of dedicated solutions
- Enhance strategic asset allocation, integrate ESG and leverage real asset platform to improve returns
- Leverage new data capabilities to improve technical leadership and offer value-added services through digital ecosystems
- Integrate ESG and climate risks in asset selection
- 2050 net-zero investment portfolio with an interim goal of 25% carbon footprint reduction, by 2024
- 2050 net-zero insurance portfolio
- Develop powerful and sustainable innovation engine to support future growth



GEOPOLITICAL INSTABILITY



GEOPOLITICAL INSTABILITY

A VULNERABLE WORLD

Geopolitical instability depicts a global landscape characterised by different dynamics harmful for the stability between and within countries: protectionism, populism, social inequalities, violent unrests, terrorist attacks, and, at extreme levels, wars with the deployment of weapons, including nuclear ones.

Geopolitical instability is, more than in the past decades, perceived as a key concern. After more than a year since the beginning of **Russia's invasion of Ukraine**, the wide-ranging effects of the conflict are casting a shadow on a world already affected by the adversities of the Covid-19 pandemic. In the first instance, the tension has generated a humanitarian crisis reaching more than 20 thousand civilian casualties⁶ and 8 million refugees⁷ at the beginning of 2023, according to the United Nations, and with severe implications on supply chains, energy security and increased cyber attacks.

Increased energy and commodity prices consequent to the war pushed the after-pandemic economy to an inflationary environment and increased uncertainty on financial markets. Countries which are not energy independent have been particularly affected, especially in Europe.

In addition, following the invasion of Ukraine, **trade restrictions**, including export bans, and **economic sanctions** have been set at European and

GEOPOLITICAL INSTABILITY

global level, leading companies and financial institutions to cease operations and divest from Russia. The consequent rise in **supply chain bottlenecks** has increased the risk of **business interruptions** for enterprises. This led to the shift from efficiency-oriented objectives (cost savings) to the target of increased flexibility and resilience of the supply chains (leading to regionalisation and friend-shoring movements). This situation has further exacerbated the economic burden for individuals, potentially fuelling social unrests, especially within the most vulnerable parts of society. As a counteract to the energy shortfall, countries have fostered the diversification of energy suppliers and the use of alternative sources together with encouraging lower consumption. Managing these challenges could also represent a critical point for meeting climate commitments, as achieving emission reduction targets could not be felt as a short-term priority.

Further turbulence can arise from other instabilities around the world, such as the economic rivalries between **United States and China**, the 2023 **Sudan crisis**, the **Serbia-Kosovo** tensions flared up in 2022 and the ongoing instabilities in the **Middle East**, such as the Israeli-Palestinian conflict and others in Libya, Syria and Yemen⁸.

The conclusion that can be drawn is that **geopolitical balances** appear **extremely fragile**. In light of an increasing fear of future conflicts and even of a global war, countries tend to reprioritise their **military spendings**, as proven by Stockholm International Peace Research Institute data, reporting a record high military expenditure in 2022 with a 13% rise from 2021 to 2022 at European level⁹. In parallel, countries can lean towards export restrictions and trade regionalisation to counteract the risk of supply chain failures.

As **international cooperation** and **globalisation** are **at risk**, vulnerabilities appear on the horizon for the economic and financial systems, with inevitable impacts for the insurance sector.

Link with materiality analysis and sustainability factors

- Geopolitical and financial instability



Assessment

HIGH CONCERN Confirmed from last year, perception increased

Examples of risk implications

- Increased market turmoil and financial market volatility
- Harm to global stabilities and trade flows due to geopolitical tensions, such as between US and China, and in some cases to wars, such as the Russia's invasion of Ukraine
- Risk of business interruption due to pressure on supply chains
- Lower global outputs and economic growth due to critical supply chains interruptions
- Increased social crises and migration
- Loss of Group business and even of Group assets due to change in Geopolitical relationships (e.g., regulatory pressure, trade restrictions, nationalization)

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins; Grow capital light business, technical profits and ESG product range; Underpin growth with effective cost management)
- **Enhance Earnings Profile** (Improve Life business profile and profitability; Redeploy capital to profitable growth initiatives; Develop Asset Management franchise further)
- Lead Innovation

Strategic management actions



- Drive Unit Linked business volumes and further internalize margins
- Boost protection as a de-risking tool for investment solutions
- Reinforce leadership in Europe and strengthen presence in selected Asian markets
- Invest in selected Asset Management capabilities and build scale to accelerate 3rd party growth
- Enhance strategic asset allocation, integrate ESG and leverage real asset platform to improve returns
- Expand proposition of dedicated solutions
- The Human Safety Net - A social innovation hub powered by Generali's skills, networks and solutions to create social impact, supporting the most vulnerable groups in unlocking their potential



DIGITALISATION

DIGITALISATION

A DIGITAL RETHINKING

Digitalisation is the process of converting information from analog into a digital format which is pervasive with the **increasing reliance on digital data and platforms**.

The massive use of **big data** and **cloud storage**, and the spread of **innovative technologies** such as Artificial Intelligence may have disruptive positive effects in all economic sectors. Together with several benefits for businesses and society as a whole, technological advancements may also pose new challenges.

The main risk linked with digitalization is **cyber attack** aimed at financial gain, espionage or sabotage. This threat can disrupt the confidentiality, reliability, integrity and availability of Information and Communication Technology (ICT) systems even resulting in cyber terrorism or cyber war. During the Covid-19 pandemic years, the reliance on digital tools has grown notably with the number of cyberattacks tripled compared to the previous decade, according to EIOPA¹⁰, and with experts foreseeing a catastrophic cyber event before 2025, according to the World Economic Forum¹¹.

The digital acceleration also exacerbates the already observed **digital gap** affecting the more vulnerable part of the population - those with a low socio-economic status, disconnected geographical locations,

DIGITALISATION

and workers that need to be **upskilled and reskilled**. One of the core objectives of the EU's digital transformation program is to empower 80% of the working population with at least basic digital skills by 2030¹².

More digital solutions in people's everyday life can manifest in the use of **Internet of Things** in terms, for example, of domotics, autonomous and smart machines, and adoption of medical devices, posing questions on data ownership, liability and broader health and social implications. Further developments are expected, even through innovative platforms like the **Metaverse** - where users will be able to enter a virtual reality and use cryptocurrencies and non-fungible tokens (NFTs) - estimated to become an \$800 billion market by 2024, according to the World Economic Forum¹³.

Digitalisation may lead to **operational, legal and reputational risks**, as well as **strategic** ones related to not adopting advanced technologies and of not capturing the opportunities of big data, for example in pricing, underwriting and new products' development.

Link with materiality analysis and sustainability factors

- Digital revolution and cybersecurity
- Changing nature of work
- Urbanization
- Unmediated access to information



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

HIGH CONCERN

Confirmed from last year

Examples of risk implications

- Risk of sensitive data theft due to cyber attacks
- Risk of IT systems breakdown and connection interruption
- Risk of not leveraging on new technologies and not being aligned with the evolutions in underwriting practices
- Risk of not identifying new insurable risks in a digitalised environment and not developing new products

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins; Underpin growth with effective cost management)
- Enhance Earnings Profile
- **Lead Innovation** (Increase customer value through Lifetime Partner advisory model; Accelerate innovation as a data-driven company; Achieve additional operating efficiency by scaling automation and technology)

Strategic management actions



- Increase customer value by scaling digitally-enabled advisory model
- Leverage new data capabilities to improve technical leadership and offer value-added services through digital ecosystems
- Reduce costs through digitization, core process automation and shared platforms
- Develop powerful and sustainable innovation engine to support future growth
- Ensure Group security through cyber and infrastructure harmonization
- Invest in digital and strategic skills placing people at the heart of our transformation
- Unleash the power of data capturing opportunities from IoT, 5G and AI



DEMOGRAPHICS AND SOCIAL CHANGES

DEMOGRAPHICS AND SOCIAL CHANGES

YOUNG AT HEART IN AN AGEING WORLD

Demography studies how the population changes due to births, deaths and migration trends over time. Although traditionally considered a well understood actuarial science, it poses new challenges within the evolving social landscape.

The most developed countries show a reshaping of the population pyramid towards an **ageing population**. This trend, with increased levels of life expectancy is exacerbated by the expected decline in global fertility, which UN foresees to decrease from 2.3 births per woman in 2021 to 2.1 in 2050¹⁴.

This leads to growing social and economic challenges with an increased **pressure** on the current workforce, squeezed between work and care for both elderly and children. This is a heavy burden for the younger generations, already struggling to gain financial security and to achieve lifetime milestones like buying their own house, further exacerbated by the current inflationary environment and the high commodity prices.

Moreover, young people have different priorities compared to their parents and grandparents, being more conscious of **environmental and social matters** may lead to social protests in the name of worth-fighting causes, like the planet's wellbeing and the respect for human rights.

DEMOGRAPHICS AND SOCIAL CHANGES

Unpredictable events may rapidly lead to demographic and social changes, with implications not only in terms of people lives but also of large scale migration and of macroeconomic dynamics. For example, climate change or scarcity and uneven geographical distribution of some resources might lead not only to price volatility but also to social disorders and rivalries between countries, as already witnessed in the past decades.

The main challenge for insurers is to **adequately meet these evolving and different needs**. For example, as the ageing population puts pressure on public budgets, long-term care programs, healthcare and pension propositions need to be rethought. At the same time, attractive products should be developed for younger customers in line with their priorities and offering digital solutions.

Link with **materiality analysis and sustainability factors**

- Ageing and new welfare
- Increasing inequalities
- Migrations and new households
- Urbanisation
- Women and minorities inclusion



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

HIGH CONCERN

Confirmed from last year

Examples of risk implications

- Underwriting risk, for example in terms of annuities' pricing, due to an underestimate of longevity risk
- Increased health costs due to rising demand from an ageing population
- Risks related to healthy ageing and long term care products
- Risk of not having attractive products for new younger customers
- Risk of decline of some relevant geographies' earnings growth in the mid-term due to negative demographic trends
- Risk of not capturing demographics and social needs due to missing redefinition of geographical presence and inadequate portfolio balancing

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins; Grow capital light business, technical profits and ESG product range)
- **Enhance Earnings Profile** (Improve Life business profile and profitability; Redeploy capital to profitable growth initiatives)
- **Lead Innovation** (Increase customer value through Lifetime Partner advisory model)

Strategic management actions



- Size growth opportunities offered by health protection gap thanks to our leadership in core markets
- Expand proposition of dedicated solutions
- Increase customer value by scaling digitally-enabled advisory model
- Personalized value propositions enriched with service ecosystem to prevent and assist
- The Human Safety Net - A social innovation hub powered by Generali's skills, networks and solutions to create social impact, supporting the most vulnerable groups in unlocking their potential



PANDEMICS & ANTIMICROBIAL RESISTANCE



PANDEMICS & ANTIMICROBIAL RESISTANCE

NOT ONLY COVID

Pandemics, defined as globally spread infectious diseases, and antimicrobial resistance, making medicine less effective, are growing concerns in a fast and connected world.

Even if the Covid-19 pandemic is no longer considered, since May 2023, a public health emergency of international concern by the World Health Organization¹⁵, scientific evidences suggest that **future pandemics** will be **more frequent, spread more rapidly** and **be more deadly**, as reported by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)¹⁶. This Platform also highlights that most emerging diseases like Ebola, Zika and Avian Influenza are zoonoses, which means they are caused by microbes of animal origin that transmit to humans. The spread of new diseases is facilitated by increased mobility, evolving natural environment and changes in lifestyle, such as drug abuse and higher stress levels.

As learnt from the Covid-19 experience, pandemics can have a **devastating impact on economies, specific business sectors and society as a whole**. To counteract these consequences, a **rapid response** is required through medical innovations, changes in the healthcare system as well as people and authorities' preparedness, notwithstanding the spread of scepticism and mistrust towards health experts and institutional bodies observed in the last years. Moreover, pandemics can

PANDEMICS & ANTIMICROBIAL RESISTANCE

lead to other second-order effects. These can include a rise in mental disorders, with a subsequent broader consumption of pharmaceuticals, especially anxiolytics, as well as delays of medical screening, leading to a higher amount of late diagnoses and, consequently, to long-term illnesses.

In this context, insurers are called to **provide coverage and assistance**, even though it might be challenging to keep up with the rapid increase in customer demand, given the operational difficulties hitting the financial sector as well as the need for specific products' features in light of such emergencies.

Link with **materiality analysis and sustainability factors**

- Pandemics and extreme events
- Change in healthcare
- Geopolitical & Financial instability



Assessment

ACTIVE CONCERN Confirmed from last year

Examples of risk implications

- Increased claims costs and operational challenges with rising illness and mortality
- Increased health products' costs, especially in areas which are more exposed to pandemic risk with lower level of health services
- Risks related to business continuity, employees relations and workplace safety

Relevant **strategic objectives**



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins; Grow capital light business, technical profits and ESG product range; Underpin growth with effective cost management)
- **Enhance Earnings Profile** (Improve Life business profile and profitability, Develop asset management franchise further)
- **Lead Innovation** (Increase customer value through Lifetime Partner advisory model)

Strategic **management actions**



- Seize growth opportunities offered by health protection gap thanks to our leadership in core markets
- Reward healthy customer behaviour, countering key drivers of major diseases
- Evolve traditional telemedicine into "doctor in your hands" service
- Expand proposition of dedicated solutions

AUTONOMOUS MACHINES AND NEW MOBILITY

AUTONOMOUS MACHINES AND NEW MOBILITY

ARE HUMANS STILL IN THE DRIVER'S SEAT?

Autonomous machines, represented by a variety of self-operating devices - from driverless cars to robots - that operate without human interventions, are increasingly penetrating in the new mobility models using connected, shared, electric, and self-driving means of transport but also in other facet of our lives, from domotics to healthcare systems.

The adoption of **automated vehicles** is increasing, as proven by the decrease in newly registered cars with no level of automation at global level, going from 51% in 2015 to 14% in 2020 according to the World Economic Forum¹⁷. With the aim of achieving, though the automated mobility, no road fatalities in Europe by 2050, the European Commission has revised the General Safety Regulation in 2022 by establishing the legal framework for the approval of automated and fully driverless vehicles in the EU¹⁸. The main concern refers to accountability questions in case of accidents that some countries, like Germany, have already tried to manage through specific legislations. These technologies can lead also to other benefits, such as increasing mobility for seniors and people with disabilities.

Other **mobility solutions** are developing, also in line with the efforts to reach a low carbon economy. These include both the shift to alternative fuel vehicles, powered for example by biofuel or hydrogen, and shared transportation. The International Energy Agency for example estimated

AUTONOMOUS MACHINES AND NEW MOBILITY

that, together with public transport, car-sharing schemes could reduce car ownership by more than 30% in 2050¹⁹.

Besides transportation, autonomous machines can be used in other sectors, from healthcare and robot surgery to military equipment, this latter representing a severe threat to populations in case of conflict. Even **human workforce is being substituted with machines** especially for activities linked to logistics or heavy tasks like those in the mining or farming industry. This also requires specialised personnel able to manage emerging threats like coding errors. Nevertheless, according to the World Economic Forum, automation is rising at a pace slower than expected, with 34% of all business-related tasks performed by machines in 2022, only 1% more than in 2020²⁰.

Beside vehicles and production systems, also houses and cities are increasingly connected through **domotics and computers**, thanks to a greater product offering, characterized by higher autonomy level and automation.

Although wide-ranging benefits arise from the use of autonomous machines, new threats and vulnerabilities may arise as well, such for example the ones from **cyber attacks**. These not only impact the way single machines operate, but also the systems through which they are interconnected (e.g. roadside sensor networks, electricity infrastructure or traffic control features)²¹.

For insurers, this phenomenon has the potential to affect **the motor insurance** given potential changes in demand volume and type, moving for example Motor Third Party Liability (MTPL) demand from the driver to the producer hence to a B2B business. In the period of the transition to autonomous vehicles also sensors-based devices are expected to be used and risks may arise from the simultaneous presence of autonomous and traditional vehicles and their different behaviour on the roads. Also, reparation costs could be higher with increasing levels of vehicle sophistication.

Link with materiality analysis and sustainability factors

- Digital revolution and cybersecurity
- Resource scarcity and sharing economy



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

ACTIVE CONCERN Confirmed from last year

Examples of risk implications

- Shift from B2C to B2B2C liability insurance
- Potential higher reparation costs for electric vehicles
- Cyber and cyber terrorism risk on autonomous vehicles
- Decreased demand for motor insurance following lower number of vehicles
- Risk of not developing new operating model for insurance losses detection

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins)
- Enhance Earnings Profile
- **Lead Innovation** (Increase customer value through Lifetime Partner advisory model; Accelerate innovation as a data-driven company)

Strategic management actions



- Develop powerful and sustainable innovation engine to support future growth
- Invest in digital and strategic skills placing people at the heart of our transformation
- Reduce costs through digitization, core process automation and shared platforms
- Leverage new data capabilities to improve technical leadership and offer value-added services through digital ecosystems
- Establish seamless omni-channel approach across distribution channels

MACHINE ALMIGHTY

Artificial Intelligence (AI), the ability of a machine to perform tasks normally associated with human capabilities, and smart automation, a combination of traditional data automation technologies with AI, have already entered into **most facets of society**.

Artificial Intelligence has wide-ranging applications: for healthcare purposes, financial services provision and management of legal practices. One of the main AI subfields is **Machine Learning**, where technological devices are able to promptly analyse huge data sets and, on that basis, provide solutions and forecasts, useful for instance for designing tailored insurance propositions based on the customers' information. Examples of Machine Learning are visible every day: websites' pop-ups, recommended articles on social media, spam filters on email accounts and so on. There is still wide room for growth of this technology.

The discussion on the benefits and threats deriving from technologies under the AI umbrella has escalated in recent years. For example, applications leveraging on **generative AI** can create easy-to-use and realistic text, sound or image based on input data. This ability has the potential to change how businesses are conducted, for instance by personalising interactions with customers or managing unstructured data for a better understanding. As reported by the Europol Innovation

ARTIFICIAL INTELLIGENCE (AI) & SMART AUTOMATION

ARTIFICIAL INTELLIGENCE (AI) & SMART AUTOMATION

lab, by 2026 as much as 90% of online content could be generated or modified through AI, mostly for beneficial purposes like services' improvement, but in some cases also with malicious intents²², potentially leading to concerns of different nature, such as economic, ethical and existential. Examples include the creation of hardly identifiable fake news, phishing mails or other materials to gather personal information and undermine data privacy. In extreme cases, they can be even used for identity theft, exacerbating legal and reputational implications.

In parallel, **smart automation** and the use of robots are increasingly spreading in some industries with the purpose to reduce labour and production costs, posing at the same time an increasing concern on unemployment and related social implications. Notwithstanding the **cost efficiency**, further risks may also arise from replicated errors in the processes, or inadequate use of data, therefore it is crucial to implement appropriate controls performed by humans. **Ethical implications** can derive not only from increasing unemployment caused by the replacement of human workers with robots and machines but also from data protection, with relevant reputational risks especially in case of sensitive data management.

Notwithstanding all mentioned challenges, insurance companies not keeping up with these innovations by investing time and money to upgrade their operations, the workers' digital skills and establish adequate control systems, may become less competitive in an ever-changing market.

Link with **materiality analysis and sustainability factors**

- Digital revolution and cybersecurity
- Changing nature of work



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

ACTIVE CONCERN

Confirmed from last year

Examples of risk implications

- Strategic risk deriving from insufficient use of big data and AI in asset management or underwriting processes
- Strategic risk related to new customers' expectations from robot advice and assistance
- Increased payments of claims as a consequence of cyber attacks
- Reputational risk deriving from potential cyber attacks with consequent loss of sensitive data
- Increased operational challenges due to rising malicious attacks and potential IT systems breakdowns
- Reputational risk related to human resources being at risk of unemployment

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins; Underpin growth with effective cost management)
- **Enhance Earnings Profile** (Develop asset management franchise further)
- **Lead Innovation** (Increase customer value through Lifetime Partner advisory model; Accelerate innovation as a data-driven company; Achieve additional operating efficiency by scaling automation and technology)

Strategic management actions



- Develop powerful and sustainable innovation engine to support future growth
- Optimize further claims management using Artificial Intelligence
- Reduce costs through digitization, core process automation and shared platforms
- Invest in digital and strategic skills placing people at the heart of our transformation
- Ensure Group security through cyber and infrastructure harmonization
- Improve operational efficiencies & minimize customer effort at every step
- Unleash the power of data capturing opportunities from IoT, 5G and AI

LIFESTYLE DEVELOPMENTS & MEDICAL ADVANCES



LIFESTYLE DEVELOPMENTS & MEDICAL ADVANCES

HEALTHIER, STRESSED OR ADDICTED

Lifestyle developments refer to activities and habits that may impact physical, mental and spiritual fitness, with potential implications on people's health.

According to the WHO European Regional Obesity Report 2022, tobacco, physical inactivity, alcohol consumption and an unhealthy diet constituted the main behavioural factors linked to mortality from noncommunicable diseases, causing 90% of deaths in 2021²³. Although the awareness on these topics fostered in the past years, also other **unhealthy behaviours** such as smart and other drugs' abuse, smoking - even if through electronic cigarettes - and lack of sleep can constitute risk factors of diseases like obesity, metabolic syndrome - being the combination of obesity, hypertension and diabetes -, and mental illness. Moreover, these habits can affect one other, triggering more than just one disease simultaneously.

On the other side, the **importance of wellness**, in terms of both physical and psychological health, is increasingly gaining momentum, especially for a growing and even older population, longing for healthy ageing. To this aim, new medical devices are under development to foster **wellbeing** and raise awareness on the consequences that may derive from specific lifestyle and habits.

LIFESTYLE DEVELOPMENTS & MEDICAL ADVANCES

Medicine is indeed rapidly evolving, leveraging on both research and technologies like robots, nanotechnology, telemedicine and Artificial Intelligence. The latter, for example, can help detecting, diagnosing and treating diseases at an early stage. It is worth noting that there are still some health hazards to be fully understood, such as the side effects of weight loss drugs, and the consequences on human body of exposure to small particles and dangerous chemicals as, for example, microplastics and endocrine disruptors.

Insurers can play an important role in contributing to people's lifestyle by **offering products aimed at promoting healthy behaviours**, for example by encouraging sport, improving diet monitoring and reducing alcohol consumption and smoking habit. Moreover, it is crucial that life products are updated, both in terms of services offered and coverages, taking into account the improvements in medicine together with the **new risks deriving from evolving medical practices**. Additionally, other risks can arise from the management of **sensitive personal data**.

Link with materiality analysis and sustainability factors

- Change in healthcare
- Polarization of lifestyles



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

ACTIVE CONCERN Confirmed from last year

Examples of risk implications

- Risks related to data protection issues due to innovative health solutions
- Risk of not developing insurance products focused enough on promoting health, wellbeing and quality of life
- Risk of not using reliable consumers' data for product pricing
- Reputational risk deriving from insurability and ethical implications linked to innovative health solutions

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins; Grow capital light business, technical profits and ESG product range)
- **Enhance Earnings Profile** (Improve Life business profile and profitability)
- **Lead Innovation** (Increase customer value through Lifetime Partner advisory model; Accelerate innovation as a data-driven company)

Strategic management actions



- Increase customer value by scaling digitally-enabled advisory model
- Establish seamless omni-channel approach across distribution channels
- Develop powerful and sustainable innovation engine to support future growth
- Leverage new data capabilities to improve technical leadership and offer value-added services through digital ecosystems
- Reward healthy customer behaviour, countering key drivers of major diseases
- Evolve traditional telemedicine into "doctor in your hands" service
- Expand proposition of dedicated solutions

NEW MARKET PLAYERS FROM OTHER MARKETS



NEW MARKET PLAYERS FROM OTHER MARKETS

GUESS WHO IS COMING TO PLAY?

New market players from other markets include potential competitors which aim to explore new insurance opportunities by reshaping the traditional business model in an increasingly digital insurance ecosystem leveraging on a more specific focus on customer needs.

FinTech and InsurTech companies, already benefitting from a consolidated client base and solid technological and communication skills, can leverage on the abovementioned advantages to also sell digitalised insurance products. These traits allow them to meet customer needs, achieve higher **efficiency and optimise the offerings**, jeopardising the traditional customer relationship model. In 2022, Insurtech market reached \$8 billion investments, representing the second-best result even though slightly decreased compared to 2016 due to the recent global socio-economic uncertainty²⁴.

The impact for insurers has not been as disruptive as expected so far, also given the challenging regulatory requirements and the specific skills needed to operate in this sector. Nevertheless, more innovative companies could gain market share, with potential negative implications for the traditional insurers that do not update their data collection, storage and management and therefore are not able to meet new customer's expectations for more digital and user-friendly products.

NEW MARKET PLAYERS FROM OTHER MARKETS

To maintain and further increase their competitiveness, insurers could also consider developing **partnerships** with different players. This would allow them to benefit from technologies like Machine Learning and Artificial Intelligence for several activities such as product design, claims management and pricing models.

Link with **materiality analysis and sustainability factors**

- Digital revolution and cybersecurity
- Changing nature of work



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

ACTIVE CONCERN

Confirmed from last year

Examples of risk implications

- Risk of not leveraging on technological and communication skills in order to gain a new positioning in the market
- Risk of market share loss and profitability over a long-term period in case of failure to compete with new market players or to develop partnership with platform companies

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins)
- **Enhance Earnings Profile** (Redeploy capital to profitable growth initiatives)
- **Lead Innovation** (Increase customer value through Lifetime Partner advisory model; Accelerate innovation as a data-driven company)

Strategic management actions



- Establish seamless omni-channel approach across distribution channels
- Leverage new data capabilities to improve technical leadership and offer value-added services through digital ecosystems
- Reduce costs through digitization, core process automation and shared platforms
- Collect, analyze and extract value from customers data delivering value added services
- Proactively deepening relationships with our existing clients
- Evolving our customer relationship model based on personalized advice and digitally-enabled interaction
- Develop powerful and sustainable innovation engine to support future growth
- Gain share of European digital profit pool by scaling direct operations



CHANGE IN HEALTHCARE

CHANGE IN HEALTHCARE

TO BE WELL OR NOT TO BE WELL

Changes in healthcare are related to new healthcare systems, so called integrated ecosystem, based on innovative technologies, aiming at responding to more complex and demanding needs.

As population ages and lives longer, **healthcare systems** are increasingly called to face a higher number of elderly people's requests, as they are more likely hit by multimorbidity and chronic illnesses while also being more fragile during health emergencies.

Digital solutions, together with skilled resources and suitable infrastructures, represent the key elements for a **more sustainable and resilient environment**. The potential use of **technology** is wide-ranging: precision medicine allows the use of molecular information for better preventing and treating critical diseases, Artificial Intelligence may speed up research, hyper-connected devices empower innovative approaches such as telehealth. Some of these solutions are already growing, as proven by the EU4Health Programme 2021-2027, in which the digital transformation of healthcare is a core area of intervention²⁵.

As socio-economic turmoil persists, healthcare systems are likely to face **financial pressure**, with lower budgets and increased expenses, also exacerbated by other dynamics, like litigations for medical malpractices. This context may also lead people to buy additional coverages, resulting in a **shift in the demand from public to private** as well as in the need for a

CHANGE IN HEALTHCARE

higher collaboration between public and private care systems.

To meet the evolving customers' needs, the **review** and the **development of insurance products and services** leveraging on innovative technologies will be crucial for insurers. A clear example is the so-called **digital health insurance** which allows insurers to benefit from expenses' reduction through the use of diagnostic devices and tools for gathering clients' information and customising the insurance proposition and benefits.

Link with materiality analysis and sustainability factors

- Change in healthcare



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

ACTIVE CONCERN

Confirmed from last year

Examples of risk implications

- Risk of not adjusting business model and product/service offering in order to maintain market share
- Increased health costs due to the adoption of new technologies
- Risk of not capturing the increasing need for private healthcare coverages

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins; Grow capital light business, technical profits and ESG product range)
- **Enhance Earnings Profile** (Improve Life business profile and profitability)
- **Lead Innovation** (Increase customer value through Lifetime Partner advisory model)

Strategic management actions



- Seize growth opportunities offered by health protection gap thanks to our leadership in core markets
- Reward healthy customer behaviour, countering key drivers of major diseases
- Facilitate care access and pertinence, reducing time/cost of services
- Vertically integrated value chain to serve specific targets through cost-efficient business models
- Establish seamless omni-channel approach across distribution - channels
- The Human Safety Net - A social innovation hub powered by Generali's skills, networks and solutions to create social impact, supporting the most vulnerable groups in unlocking their potential
- Expand proposition of dedicated solutions



NO SUPPLY, NO BUSINESS

CRITICAL INFRASTRUCTURES AND SUPPLY CHAIN FAILURES

Critical infrastructures and supply chain failures include the **blackout of key systems** for governments, businesses and individuals as well as the logistic challenges arising from supply chain disruptions, both potentially leading to **business interruptions** (BI).

Critical infrastructures can be not only physical, such as transportation systems and power plants, but also digital, like communication networks and data centers, vulnerable to cyber attacks. When damaged, society and businesses can negatively suffer from the socio-economic implications, including shortages and interruptions. Recent examples include the Russia's assaults on Ukrainian energy grids in October 2022²⁶ and the cyber attack against the Italian tax agency in July 2022²⁷.

In the current context of geopolitical instability, the **global supply chain** also appears extremely fragile, already under pressure due to the lockdowns and restrictions related to the Covid-19 pandemic. Above all, the Russia's invasion of Ukraine and the tensions between the United States and China suggest that global commercial lines may be challenged with delays or even interruptions by the introduction of sanctions and the outbreak of trade wars. This is particularly relevant for strategic areas, like the Taiwan strait - one of the busiest shipping routes on earth and crucial for the supply of semiconductors and electronic equipment²⁸ -, as well as for sensitive sectors, such as the food and chemical ones.

CRITICAL INFRASTRUCTURES AND SUPPLY CHAIN FAILURES

Critical infrastructures and supply chain failures might also be triggered by **other external causes** such as natural catastrophic events, as well as by the **lack of investments** to improve and secure infrastructure networks.

The main threats for insurance companies are the increase in **operational costs**, the **drop in revenues** and the **reputational negative impact** deriving from damages to premises and datacenters, as well as from BIs.

Link with **materiality analysis and sustainability factors**

- Digital revolution and cybersecurity
- Urbanization



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

ACTIVE CONCERN

NEW compared to last year

Examples of risk implications

- Risk of critical infrastructure failures due to geopolitical instabilities, tensions and conflicts
- Higher-than-expected insured losses due to supply chains disruptions
- Increased claims due to business interruption
- Increased blackouts due to energy crisis

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins; Underpin growth with effective cost management)
- Enhance Earnings Profile
- **Lead Innovation** (Accelerate innovation as a data-driven company; Achieve additional operating efficiency by scaling automation and technology)

Strategic management actions



- Develop powerful and sustainable innovation engine to support future growth
- Reduce costs through digitization, core process automation and shared platforms
- Optimize further claims management using Artificial Intelligence
- € 3,5 billion Investment plan by 2025 to support the EU Recovery
- Ensure Group security through cyber and infrastructure harmonization



BIODIVERSITY LOSS

SOS FROM LIFE FORMS

Biodiversity loss refers to the decline or disappearance of biological diversity within species, ecosystems and geographical areas. The causes are linked to **human actions** which, through pollution and natural resources' exploitation, lead to global warming and invasive species spreading beyond their original habitat. This is a global threat as the loss of species we are seeing today is between 1,000 and 10,000 times higher than the natural extinction rate, as reported by the World Economic Forum²⁹.

Biodiversity and climate change are **inextricably linked**. On one side, the degradation of ecosystems alters nature's ability to manage greenhouse gas emissions and harms the natural barriers against extreme weather events. On the other side, climate-related events affecting ecological complexes can alter species' diversity and habitats, for example the excess of carbon dioxide absorbed by oceans, increasing their temperature and acidity, has negative impacts on fish stocks.

One of the most concerning phenomena is the **decline of pollinators**: in Europe one in ten bee and butterfly species, and one in three hoverfly species are at risk of extinction according to the European Red List³⁰. Pollinators are crucial for the functioning of ecosystems and for medicines and food availability. Therefore, their extinction would further amplify the **food scarcity**, an issue perceived as a key concern in a world with growing population.

BIODIVERSITY LOSS



BIODIVERSITY LOSS

The rising awareness around nature-related risks in civil society, institutions, market and regulators is increasing the **efforts towards a nature-positive future**, with consequent political, technological, legal and social developments. For example, to tackle the decline in pollinators and to limit damages on nature, several policies are promoting **organic agriculture**, reducing the use of pesticides and other environmental pollutants, with potential financial, operational and reputational implications.

Long-term plans are being developed to protect nature and reverse the degradation of ecosystems, such as the EU Biodiversity strategy for 2030, which expects countries to submit National Restoration Plans showing how they will deliver on the targets. This requires the development of **new regulations** which will challenge mostly the industries with major impacts on nature.

Implications on insurance business, notwithstanding the **uncertainties surrounding biodiversity**, are mainly expected through underwriting activities, and indirectly through investments. Reputational damage can be observed in case of counterparties highly dependent on ecosystem services or not committed to a nature-positive transition or from the failure to disclose information in line with the evolving regulatory framework on biodiversity-related matters.

Link with materiality analysis and sustainability factors

- Resource scarcity and sharing economy
- Biodiversity degradation



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

INITIAL CONCERN

Confirmed from last year

Examples of risk implications

- Reputational damage deriving from investments/underwriting counterparties not committed to a nature-positive transition
- Decreasing value of companies operating in sectors highly dependent on ecosystem services, such as agriculture
- Decreasing value of investments, increasing insurance claims and possible macroeconomic consequences due to water scarcity
- Increased claims and costs in the life and health business due to unavailability of food and medicines
- Direct risks for insurers of damage to properties located in areas vulnerable to soil erosion

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Grow capital light business, technical profits and ESG product range)
- Enhance Earnings Profile
- Lead Innovation

Strategic management actions



- Expand proposition of dedicated solutions



BUSINESS STRUCTURE DEVELOPMENT

BUSINESS STRUCTURE DEVELOPMENT

WORK DIFFERENT, THINK DIFFERENT

Business structure developments are driven by the changes in the way people approach work, through new digital technologies, hyper-connectivity and widespread use of social media, as well as with an increasing attention towards sustainability matters.

The **digitalisation** trend, accelerated by the Covid-19 pandemic, has boosted the adoption of **new ways of working**, such as remote working, and the use of platforms and social media. If, on one hand, these phenomena are creating several advantages, such as greater flexibility either in terms of time, space and costs reduction, on the other hand there are also some disadvantages, such as lack of a clear boundary between work and personal spaces and greater isolation, as well as risks related to data protection and cyber attacks. In a more digital environment, also an increase of e-commerce and digital sales has been observed: the proportion of EU e-shoppers moved from 55% in 2012 to 75% in 2022, with a growth of 20% in a decade, as reported by Eurostat³¹.

For insurers, these technology-driven changes lead to **rethink the underwriting offering**, considering the rising number of digital companies among clients and the evolving customers' needs towards innovative product design and propositions. This means developing **new skills** and **digital competencies**, raising awareness on cyber-related risks and,

BUSINESS STRUCTURE DEVELOPMENT

finally, collecting statistical data related to new businesses, which is still limited given the fast evolution of new technologies.

Finally, businesses are increasingly **embedding sustainability topics** in their strategies, core businesses and processes with the aim to deliver a positive social and environmental impact on stakeholders and support the transition to a more sustainable economy and society. In particular, valuing environmental and social matters is becoming essential for both employees and customers attraction and retention: according to a PwC survey involving people from a set of countries including US, UK and Germany, more than 80% of employees would rather work for companies that stand up for ESG matters and clients are increasingly embedding sustainability considerations in their choices³². Therefore, similarly to other businesses, the challenge for insurers is to adequately meet the needs of more and **more sustainability-oriented stakeholders**.

Link with **materiality analysis and sustainability factors**

- Changing nature of work
- Transparency and purpose-driven businesses
- Digital revolution and cybersecurity



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

INITIAL CONCERN

Confirmed from last year

Examples of risk implications

- Risks related to selection and pricing of new corporate risks in a hyper-connected environment
- Risk related to data protection issues and cyber threats due to new ways of working
- Risk of not adequately adapting the product/service offering in order to meet the growing number of digital companies among clients
- Risk of failing to adapt to new technologies
- Strategic risk of not capturing the shift in employees and customer preferences towards sustainable business models

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins; Underpin growth with effective cost management)
- **Enhance Earnings Profile** (Redeploy capital to profitable growth initiatives)
- **Lead Innovation** (Increase customer value through Lifetime Partner advisory model; Accelerate innovation as a data-driven company; Achieve additional operating efficiency by scaling automation and technology)

Strategic management actions



- Develop powerful and sustainable innovation engine to support future growth
- Reduce costs through digitization, core process automation and shared platforms
- Establish seamless omni-channel approach across distribution channels
- Enable an efficient and agile organization embracing a sustainable hybrid work model rooted on digital
- Sustainability within all people processes, enabled by a People Strategy focused on culture, diversity, competence upskilling and new way of working



MENTAL HEALTH

MENTAL HEALTH

THE INVISIBLE ENEMY

Mental health is a **state of wellbeing** that significantly affects how a person feels, thinks, behaves, and interacts with other people. It can be undermined by a wide spectrum of biological, psychological and socio-economic factors, often interconnected.

The feeling of loneliness and isolation, also called “loneliness epidemic”, is a very common phenomenon in nowadays society representing a new mental health concern. Choosing digital instead of eye-to-eye communication, for example, can increase the perception of being lonely, driving mental health issues especially among younger generations.

Mental disorders have been exacerbated by the Covid-19 experience, through the fear of infection as well as the wide-ranging financial and social challenges, from job insecurity to feeling isolated. The World Health Organization has estimated that the first year of the Covid-19 crisis has led to a 25% rise in the global prevalence of anxiety and depression³³. Negative impacts on mental wellbeing together with other long-term effects can also arise as a consequence of war traumas.

Considering the above-mentioned events and the potential effects of a digital boost in private and professional life, awareness around mental health is being promoted by public and private entities. Nevertheless, as reported in a 2022 Unicef research, 70% of people aged 15 and more with mental health conditions worldwide has no access to adequate care³⁴.

MENTAL HEALTH

The potential implications for the insurance industry can be relevant, considering **the expected higher demand for insurance coverage and related costs in the years to come**. Challenges also derive from the complexity of assessing mental health conditions and risks in the underwriting and claims settlement phase. Finally, as for other businesses, insurers could be vulnerable to **operational losses** linked to employee-related matters, like lower productivity, absenteeism and increased risk of mistakes.

Link with materiality analysis and sustainability factors

- Change in healthcare
- Polarization of lifestyles



Environmental matters



Social matters



Employee matters



Respect for human rights matters



Anti-corruption and anti-bribery matters

Assessment

INITIAL CONCERN

Confirmed from last year

Examples of risk implications

- Increased disability claims related to work inability or life settlements in case of early life termination
- Increased medical expenses related to mental health matters
- Risk of not developing new health products (e.g., telehealth)
- Underwriting risk in terms of rise in number of non-insurable individuals as affected by mental issues
- Increased operational challenges related to work inability due to mental health issues

Relevant strategic objectives



Strategic Pillars (and Levers):

- **Drive Sustainable Growth** (Boost P&C revenues and maintain best-in-class technical margins; Grow capital light business, technical profits and ESG product range)
- **Enhance Earnings Profile** (Improve Life business profile and profitability)
- Lead Innovation

Strategic management actions



- Seize growth opportunities offered by health protection gap thanks to our leadership in core markets
- Personalized value propositions enriched with service ecosystem to prevent and assist
- Facilitate care access and pertinence, reducing time/cost of services
- Enable an efficient and agile organization embracing a sustainable hybrid work model rooted on digital
- The Human Safety Net - A social innovation hub powered by Generali's skills, networks and solutions to create social impact, supporting the most vulnerable groups in unlocking their potential

GENERALI'S APPROACH TO EMERGING AND SUSTAINABILITY RISKS



WHAT WE DO AND WHY WE DO IT

1. Scanning of the external environment to **identify and assess**:
 - **emerging risks** that could significantly impact the Group over a longer time period
 - **sustainability risks** the Group is most exposed to, considering their double materiality in terms of both incurred and generated risks
2. **Raising awareness** on the evolving risks context and **sharing know-how** to grant preparedness to take actions if they should materialise



WHO IS INVOLVED

Generali has structured an integrated Group risk identification process, steered by the Group Risk Management Function, involving:

- all Group Business Units
- main Group Business Functions



HOW WE DO IT

All inputs from Group Business Units and Group Business Functions are gathered through a qualitative approach.

For each emerging risk:

- **a level of concern** - high, active, initial - is assigned, based on perceived vulnerability, in terms of expected impacts, and timeframe, in terms of time horizon in which they are most likely to materialize
- **main related sustainability factor** as of Del. Reg. (EU) 2021/1256 and the topics identified as significant through the materiality analysis are pointed out with the support of **Group Sustainability & Social Responsibility**
- **related strategic actions**, part of the Generali Group Strategy “Lifetime Partner 24: Driving Growth”, are identified for the emerging risks’ management, with the support of **Business Strategy**
- relevant market studies, such as the **World Economic Forum** publications and the discussions held within the **CRO Forum - Emerging Risk Initiative**, are taken into account

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