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In order to continue to provide security in an uncertain context, the insurance industry is called upon to equip itself with tools and safeguards for managing emerging risks to guarantee a prompt response to the evolution of the country's protection needs



Carlo Cimbri

Unipol Gruppo - Chairman

The **growing complexity** of the external context is generating increased uncertainty **towards the future**, which can limit the potential of development of people and companies and thus become an obstacle for the growth of the country. Adopting an anticipatory approach to change enables companies to prepare in time and **face the future with confidence**.

The insurance industry, in order to continue to fulfill its role of **security** provider in an uncertain context, is called upon to equip itself with tools and safeguards for **managing emerging risks**, to be integrated into business strategy and processes, so as to ensure a prompt **response to the evolution of the country's protection needs**.

Italy, like the rest of the world, is facing new forms of risk that arise contextually from different sources, among which we can mention the alteration of natural and climate systems, the rapid evolution of technology and demographic transformations. Such changes require joint responses and a **shared approach to risk**.

The integration into primary business processes of a solid and structured framework for the analysis of the external context and for the identification and evaluation of main emerging risks allows Gruppo Unipol to **maintain over time its leadership in guaranteeing the protection of our fellow citizens** and promoting sustainable development for our country.

In the context of the **strategic planning** it is important to **integrate an anticipatory and systemic approach** capable of identifying major changes of the external context in order to prepare to manage emerging risks and seize new opportunities.

Analyzing the **different pushes of change** in an integrated way, focusing not only on technological changes but also on social, environmental and geopolitical ones, allows us to understand their dynamics and interactions so as to develop **appropriate responses to manage the complexity** of the external environment.

The **integrated management of emerging risks** and their potential impacts on the different areas of the Group's activity allows us to understand their degree of transversal relevance, and to transfer knowledge, internally and externally, on the main exposure factors, in order to prepare coordinated and synergic responses to develop innovative and sustainable solutions over time, that combine mitigation and prevention.

The acceleration of change trends in the external environment makes it increasingly important to extend one's view and **prepare in advance** for risks and opportunities. The integration of an anticipatory approach to emerging risks into strategic planning, therefore, is an important element for **evolving our offerings** and our **business models**, opening new ways to continue to create value for our stakeholders by consolidating our reputational asset and our strategic positioning.



The acceleration of change trends makes it increasingly important to extend the view and integrate the anticipatory approach to emerging risks into strategic planning, to evolve our offerings and our business models and open new ways



Matteo Laterza

Unipol Gruppo – General Manager





At Unipol we believe that technology will define the competitive arena of the future and we are at the forefront of exploring the most innovative technological frontiers while carefully managing emerging threats



Enrico San Pietro

Unipol Gruppo - Group Insurance General Manager

In the face of AI's evolution, it is essential to recognize both the unprecedented opportunities and the risks that this technology presents. At Unipol, we believe that technology will **define the competitive arena of the future**, and we are at the forefront of exploring the most innovative technological frontiers while carefully managing emerging threats.

AI offers **opportunities for our customers** and our operating model: AI-based chatbots can optimize services, making interactions faster and more accurate, and we are also using AI to customize and innovate our offerings based on individual needs. Finally, AI and GenAI enhance the datasets we use allowing for more accurate Pricing, Underwriting, and Claims decisions.

However, the integration of AI **also introduces significant risks**. Ethical considerations, including privacy and decision-making transparency, are crucial. We are also aware that algorithms trained on historical data can lead to unintended biases, with potential impact on fairness and compliance.

To mitigate these risks, we are establishing **strict governance** to ensure transparency, accountability, and adherence to ethical standards. The continuous monitoring and auditing of AI systems will help us promptly identify and address biases and other issues. By taking a proactive approach to AI risk management, we believe we can harness its full potential while safeguarding our business and preserving the trust of our clients.



OSSERVATORIO

REPUTATIONAL & EMERGING RISK

Gruppo Unipol

10 YEARS

The Observatory was established in January 2014 with the purpose of managing emerging and reputational risks with a strategic and proactive approach, considering both risks and opportunities, in order to protect and strengthen the Group's strategy and reputation.

A forward-looking vision was adopted from the beginning, also through the collaboration with the academic world in the use of the Meeting Point predictive model, together with the strategic foresight and anticipation methodologies.

During its first 10 years of activity the Observatory has grown and evolved, disseminating the culture of futures studies and uncertainty across the Group, favoring the exchange of information and the transversal view and integrating «Outside-In» and «Inside-Out» visions to monitor over time the alignment of the Group's responses to external context and stakeholder needs evolution.

[Learn more](#)



2014

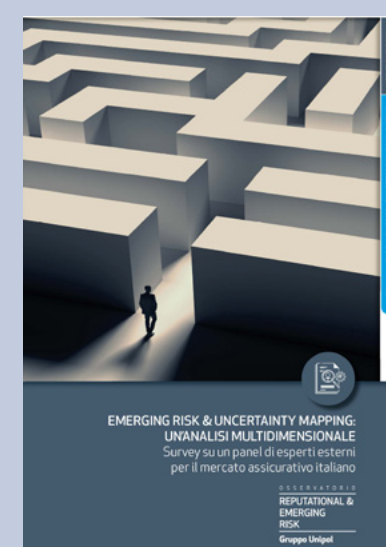
2015

2017

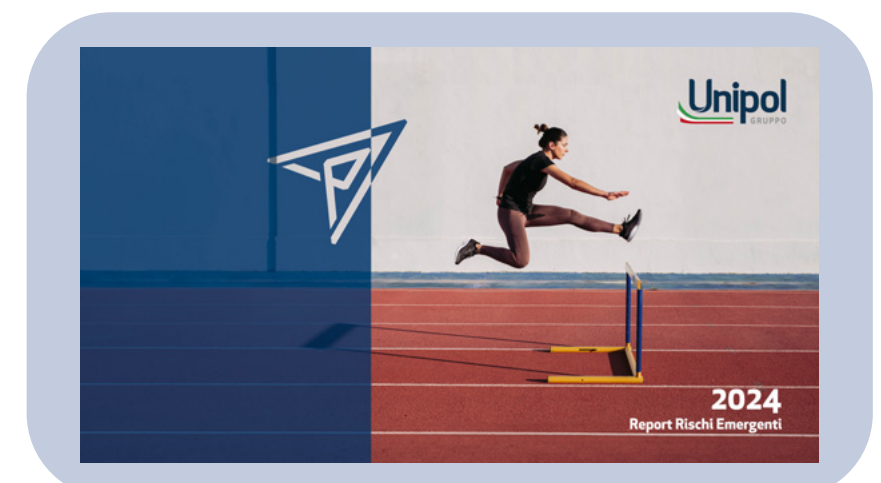


2021

2022



[Read the full Document](#)



2024

2018

2020

Emerging Risks



From Macro Trends to Emerging Risks

In a world where changes are increasingly accelerated and interconnected it is important to extend the view in order to anticipate the changes of the external context and evaluate in advance the risks, so that they can be turned into opportunities.

Gruppo Unipol has established, within the Risk Management function, a dedicated Observatory, developing a structured framework for the management of emerging risks, which is based on an anticipatory approach and integrates the "Outside-In" and "Inside-Out" visions.

[Learn more](#)



1 Anticipation and Monitoring of Macro Trends

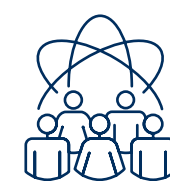


Identification and Monitoring of Macro Trends

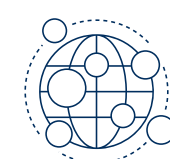


Risks -opportunities Analysis

2 Identification of Emerging Risks



Identification of Emerging Risks based on an integrated analysis of Macro Trends



Creation of the Interconnections Map between Macro Trends and Emerging Risk Areas

3 Emerging Risks Assessment



Assessment and prioritization of Emerging Risks by involving a panel of external experts



Integration of the relevance parameters with the interconnection intensity among the risks

4 Analysis of Relevance and scenarios



Assessment of the potential level of exposure to priority emerging risks for each category of traditional risk through data collection and creation of a Heatmap



Analysis of most relevant emerging risks, also through scenario analysis

Emerging risks do not fall within the usual cognitive and decisional schemes and the simple cause-effect relationship is replaced by multi-causal and multi-conditional systems. In today's global, complex and dynamic context **changes are accelerated and interconnected**, making past experience insufficient to make informed decisions. It is therefore crucial to learn how to catch **the signals of the future**, so that we can properly prepare to the upcoming changes and make responsible choices in the present.

The anticipatory approach must be at the center of both strategy and risk management. Emerging risks must be analyzed through structured frameworks, by assessing their transmission channels to traditional risks and their possible impacts through scenario analyses.

For an effective management of emerging risks, it is essential to establish an internal communication plan to disseminate knowledge on their main threats and potential consequences, supporting competent functions in defining action and risk mitigation plans for a proper response to changes of the external context.

The rise of new threats can also turn into a development opportunity for insurance companies. **Getting prepared with data, tools and models** for an adequate evaluation and pricing of new risks must be a priority in order to develop underwriting capabilities and foster business growth.



In a fast - changing and increasingly interconnected world, the anticipatory approach in Risk Management becomes a tool to identify not only the risks to be managed but also the opportunities to seize



Gian Luca De Marchi

Unipol Gruppo - Chief Risk Officer



Top 10 Emerging Risks



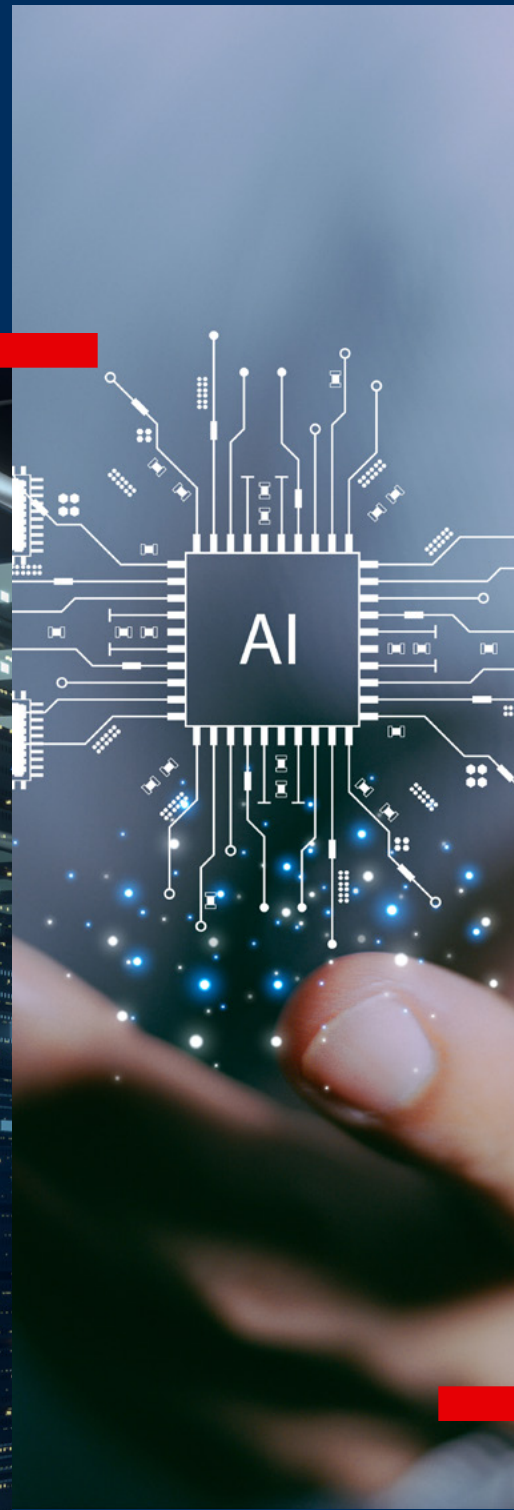
1. Demographic Change



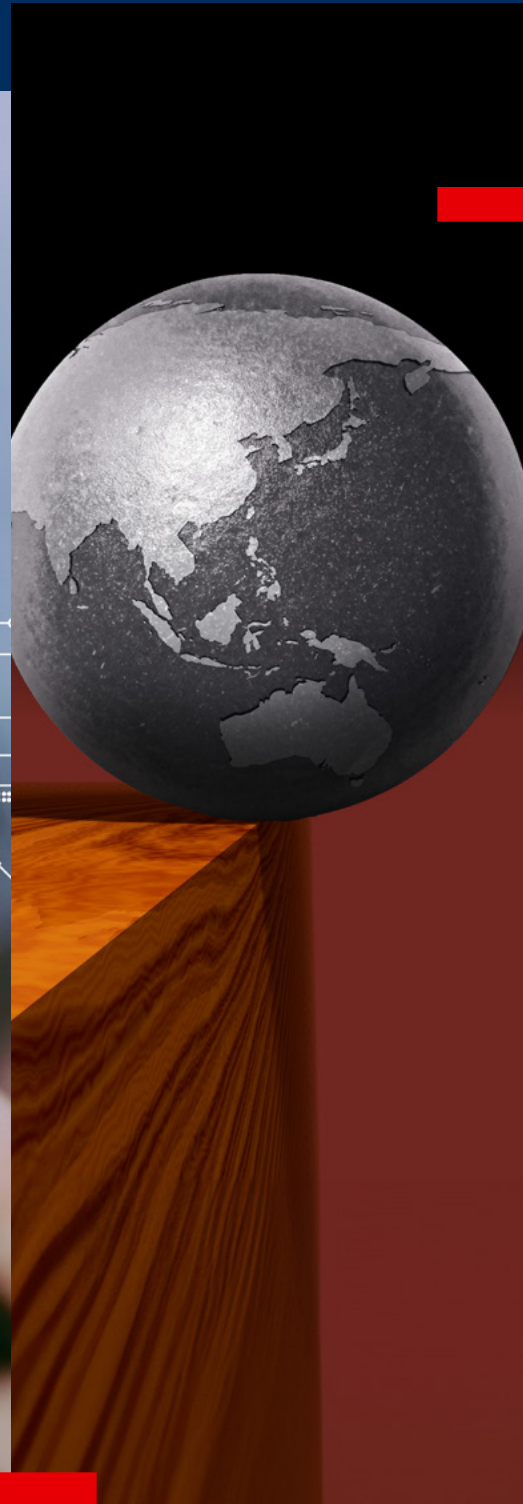
2. Climate Change



3. Cyber risk and cyber insecurity



4. Artificial Intelligence



5. Geopolitical Instability



6. Impacts on Supply Chain



7. Biodiversity Loss



8. Digital Disintermediation and New Players



9. Skill Mismatch



10. Social polarization increase and social tensions



Top 3 Risks

This section presents the top 3 Emerging Risks characterized by high levels of relevance and interconnection:

- Demographic Change
- Climate Change
- Cyber Risk and Cyber Insecurity

 **Page 10**

Emerging Risks

in a changing world

This section illustrates the synergic push to changes of the external context boosted by the combination of different interconnected risks: Artificial Intelligence, Geopolitical Instability, Impacts on Supply Chain, Digital Disintermediation and New Players, Skills Mismatch, Social Polarization increase and social tensions

 **Page 24**

Human Wellbeing

the evolution of health and wellbeing in the light of changes in Nature and Biodiversity

This section illustrates the risk of Biodiversity Loss and its repercussions on human physical and mental health, also in connection with increasing levels of pollution, availability of good nutrition and synergies with other risks, leading to increased levels of chronic morbidity and co-morbidity

 **Page 39**

23.9
years

gap between life expectancy at birth and life expectancy in good health in 2023⁽¹⁾

61
%

Of large corporates have launched at least one AI project in 2023⁽²⁾

14.6
%

Of the population lives in the most polluted cities in 2023⁽³⁾

(1) Indicator calculated as the difference between the two indicators provided by ISTAT: life expectancy at birth (83,1 years) and life expectancy in good health (59,2 years) in 2023

(2) Source: Osservatori Politecnico di Milano

(3) Elaboration of the Observatory on data from ISTAT and Legambiente (https://www.legambiente.it/wp-content/uploads/2021/11/Report_Malaria-2024.pdf)

Note: Unless stated otherwise, the data in this Report refers to Italy

Top 3 | Emerging Risks



*In a complex world
People, Climate and
Technology are the
main challenges to
address and to act on*





1.

Demographic Change

The risks related to demographic change as a result of population ageing and transformation of social networks have introduced new forms of social vulnerability.

These risks have acquired considerable importance, combined with the inherent slowness of actions to mitigate its effects. Demographic changes are characterized by strong connections with other risk areas by transversally connecting the Socio-Technological and the Political-Environmental nexus.

These risks have different timeframes: while the effects of population ageing and transformation of social networks will gain relevance already in the next 5-10 years, other phenomena such as the decrease of Italian population and increase of world population appear to be more long-term.

The insurance sector is subject to a high level of exposure to risks deriving from demographic changes, with significant impacts all across its value chain, given its intrinsic connection with the social component, which is a cornerstone of the insurance business.



2.

Climate Change

Climate Change Risks are characterized by high impact and probability over a short-medium timeframe. These risks reveal connections with other risks such as geopolitical instability and demographic changes.

The acute physical risk component derives from the increase in frequency and intensity of extreme weather events, causing immediate material damages to insured properties and infrastructures.

This element can potentially affect the entire insurance value chain, in particular the underwriting activities given the increase in claims and the strategic activities to support the capacity to meet the Country's protection needs.

Another relevant component of climate risks is transition risk, which pushes the insurance companies and the whole market towards a change in the business model, by integrating the common goal of CO₂ emissions reduction.



3.

Cyber Risk and Cyber Insecurity

The Cyber Risk and Cyber Insecurity is related to the increased digitalization and spread of digital devices, also due to the Internet of Everything phenomenon and is rated in a high position both in terms of impacts and probability.

These risks are perceived as having effects to a significant extent in the short-term, already in the next 0-5 years and experts agree on their increase in the next years due to accelerations caused by other connected risks (e.g. geopolitical instability, artificial intelligence).

Cyber risk impacts in particular company operations such as business continuity and generates important reputational impacts.

The growing request of risk coverage encourages insurance companies to develop cyber policies, facing an increase of underwriting risk due to the insufficient knowledge of the future evolution of the risk, given the lack of historical data.



Demographic Change

Demography and Health



Main Macro Trends connected

Risk **deriving from variations in size, composition and distribution of population**, which can manifest through components such as birth rate, mortality, social mobility (changes of social status) movements across the territory (migration). This generates (i) **business models unsustainability**, also due to the emergence of new insurance needs, with different characteristics for the coexisting generations (youth, active population, quiescents) and exposure to risk of longevity and transformation in social relationship patterns, (ii) a significant **increase of life expectancy, with impacts on sustainability of the risks taken**, also due to the high disease rate in older population groups, and (iii) an **impact on people management** in terms of attractivity and retention of new skills.



// Longevity is a value to protect //

Giovanna Gigliotti

UnipolSai - Chief Life & Health Officer
UniSalute - CEO

Longevity is a value to protect, but, to avoid that it turns into a risk, it is necessary to achieve an **increased level of integration between public and private healthcare**.

The National Healthcare System, while being an essential pillar, does not have sufficient resources to adequately address people's protection needs.

It is therefore necessary, on one side, to promote a more widespread adoption of LTC coverages, hoping that they become mandatory as it already happens in several European countries, and, on the other hand, to increase the number of citizens covered by forms of complementary healthcare.

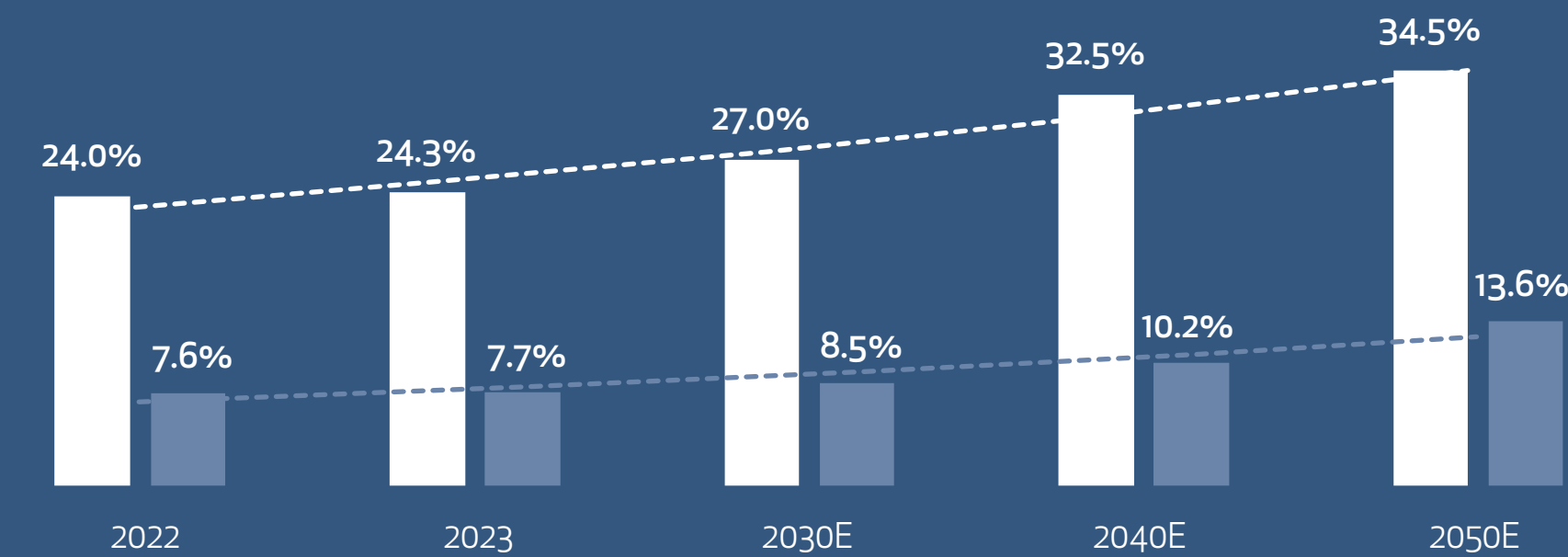
As a matter of fact, longevity often come with **chronical pathologies that require constant monitoring**, for which the use of telemedicine and telemonitoring reveals to be an effective way to meet these needs in a more modern and less expensive way.

Unipol Gruppo through UniSalute commits to answer these and other needs, with solutions that offer **integrated healthcare with specific chronicity-dedicated services**.

On the other hand, it is important to strenghten education among young people in order to develop the culture of wellbeing, healthy living, self-care and prevention early in life.



Percentage of over 65 (white) and over 80 (blue) Italian population

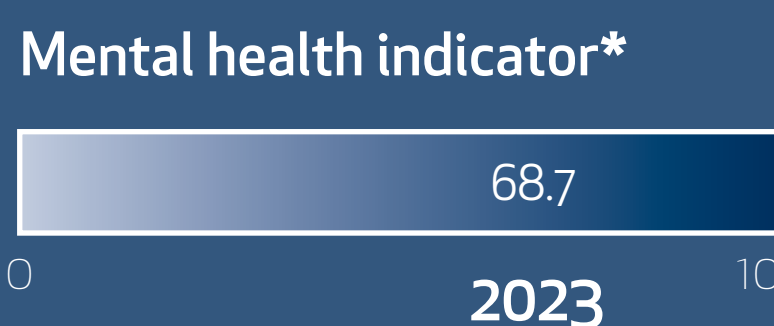


In 2040 about 1 in 3 people will be over 65 and 1 in 10 will be over 80. The percentage of population affected by at least one chronic disease will increase by 20%, amounting to almost 50% of the Italian population, while the amount of population affected by two or more chronic diseases will rise to almost 30% in the worst scenario.

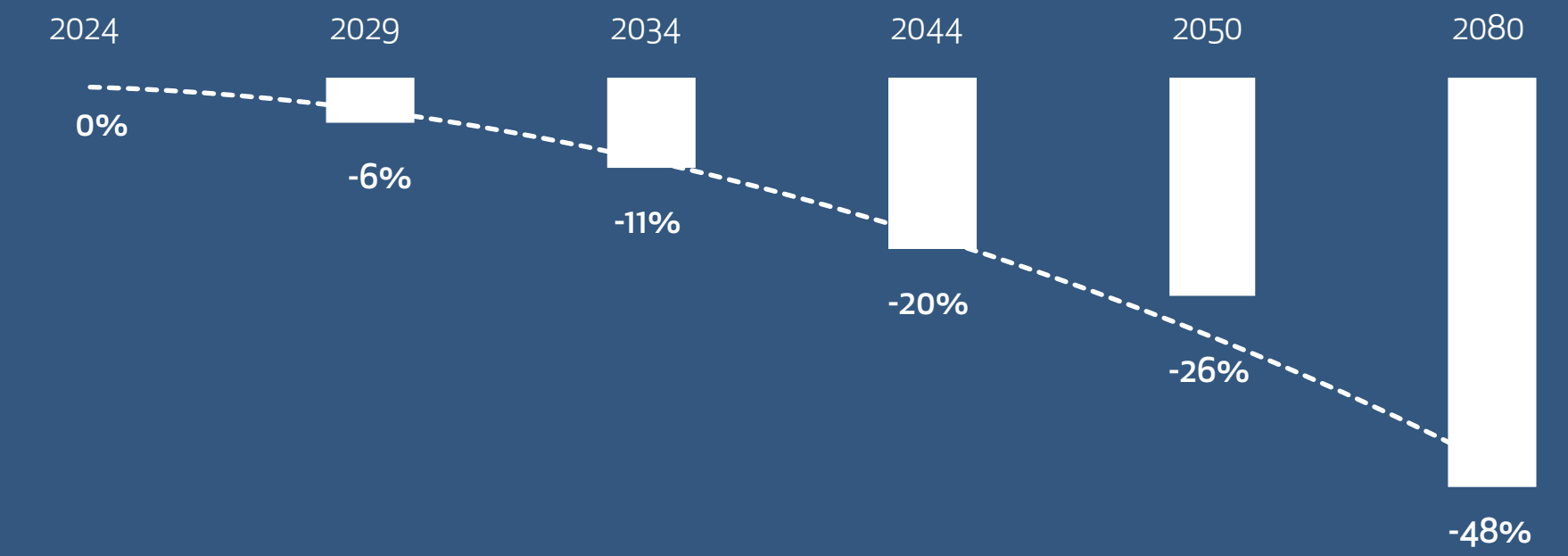
83.1 years
Life expectancy at birth in 2023

59.2 years
Life expectancy in good health in 2023

379 k
Number of births in 2023 (-4% than in 2022)

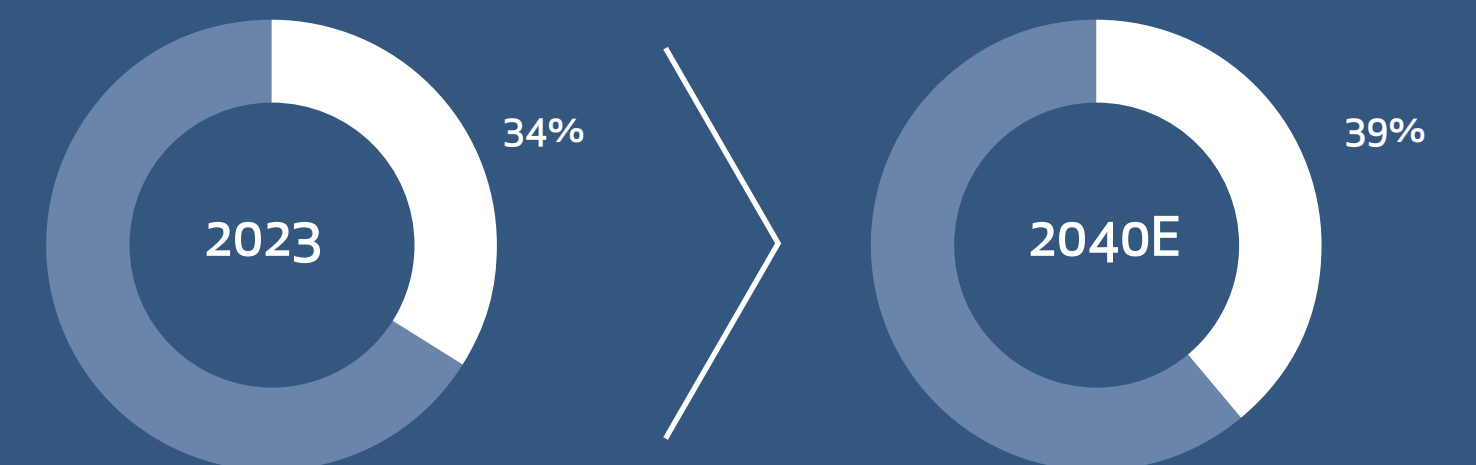


△ The incidence of the Italian population on the world population



Over the last years we have been assisting to an ongoing decrease of the Italian population as opposed to the increase of the world population. ISTAT forecast data show an iteration of the phenomenon in the next 60 years, causing a 50% loss in the incidence of Italian population over the world population (comparing the worst Italian demographic scenario with the world base scenario).

Incidence of single-person families



* A measure of psychological distress referring to four main dimensions of mental health (anxiety, depression, loss of behavioural or emotional control and psychological wellbeing). The indicator is on a 1-100 scale, with better psychological wellbeing conditions as the average value of the index increases.

Data source: ISTAT

IMPACTS

Main Potential Impacts

- **Increase of chronic and multi-chronic diseases** due to population ageing and pollution of urban areas, with impacts on the strategy and loss ratio of health policies
- **Mental illness increase**, also connected with higher levels of urbanization, with consequent impacts in terms of pollution
- **Increase of longevity risk**, relevant for annuity products
- **Reduction of the spending capacity** linked to the increase in the incidence of single-person families
- **Loss of attractivity in terms of offer competitiveness and people management** in case of failure to adapt to the needs of different generations and cultures
- **Risks linked to the sustainability, relevance and potential growth of public debt** due to the decrease and ageing of population, with impacts on strategy and investments
- **Increased reputational risk** in case of failure to promote values of inclusion

ACTIONS

Main Actions taken by the Group

- Evolution of the **Welfare ecosystem** (new welfare offers integrated with health centers, well-aging services, digital health services including telemedicine)
- Enhancement of the **UniSalute centre of excellence** as focus point for the management of health policies
- Promotion of **Prevention** and healthy lifestyles through several digital channels (*inSalute*)
- Promotion of new **Mental Health** – oriented digital services
- Development of a range of digital services to support and promote **Corporate Welfare** (*Welbee; GoWelfare*)
- Evolution of the Life&Health offer in a **Life-Cycle** perspective through customized products for different customer targets throughout different Life-Cycle stages
- **Specialization of sales force**
- Reduction of exposure to investments in government-issued bonds and **diversification by issuing Country**, with reduced exposure to Italian government bonds
- Oversight of relevant issues through the **corporate function “Diversity, Equity and Inclusion”** and promotion of projects aimed at raising awareness and inclusion (*INKlusion* educational project)

Climate Change

Climate Change and Biodiversity



Main Macro Trends connected

The risks connected to climate change include the increase in frequency and severity of extreme natural events deriving from climate change, resulting in damages increase for the Group and its policyholders. It also includes risks deriving from the transition to a low greenhouse gasses emissions economy, including changes in regulation, technology and market preferences.



Risks connected to *climate change* include **acute and chronic physical risks and transition risks**.

Physical risks are risks deriving from physical changes of climate change including:

- **Acute physical risks**, deriving from particular weather phenomena such as storms, floods, fires or heatwaves.
- **Chronic physical risks**, deriving from long-term climate changes such as average temperature variations, sea-level rise, lower water availability and changes in soil properties and productivity.

Transition risks arise from the shift to a low greenhouse gas emissions economy and can have different causes:

- 1) **regulatory**, which can derive from political decisions aiming at the increase of fossil fuel prices and encouraging the sustainable soil use and energetic efficiency;
- 2) **legal**, deriving from legal controversies due to activities that produce negative impacts on climate;
- 3) **technological**, which can derive from the introduction of new low CO₂ emissions and energy-efficient technologies, considering the whole product lifecycle;
- 4) **changes in market preferences**, deriving from a variation in the customers behavior and consumer preferences
- 5) **reputational**, related to the difficulty in attracting and maintaining clients, employees, commercial partners and investors if the company has a reputation of conducting environmentally-harming activities.



Climate Change represents one of the most urgent challenges of our time, having severe repercussions on many aspects of life. The increase in frequency and severity of extreme weather events causes enormous damages to properties and economic activities, with increasingly burdensome financial consequences.

Because of the characteristics of their business, insurance companies had already **identified climate change as an emerging risk many years ago** and have undertaken concrete actions to contrast and mitigate it ever since. For example, companies aim at innovating and improving the design and pricing of their products through climate risk modelling in a **forward-looking perspective**, in order to meet the new security needs imposed by the ongoing climate change. Moreover, companies can incentivize their policyholders to adopt climate change adaptation measures by offering premium discounts to customers that take appropriate measures to reduce exposure to physical risks and, consequently, to limit damages in case of accidents **(i.e impact underwriting)**.

Unipol Gruppo has always posed great attention to the fight against climate change, adopting an integrated and proactive approach. This challenge, however, requires a collective effort that guarantees a **fair distribution of costs and responsibilities between public and private, such as the introduction of mandatory insurance coverages and public-private partnerships**.



Through our efforts to contrast climate change we transform every challenge in opportunity, building resilience and security for our customers and ensuring a more sustainable future for everyone



Vittorio Corsano

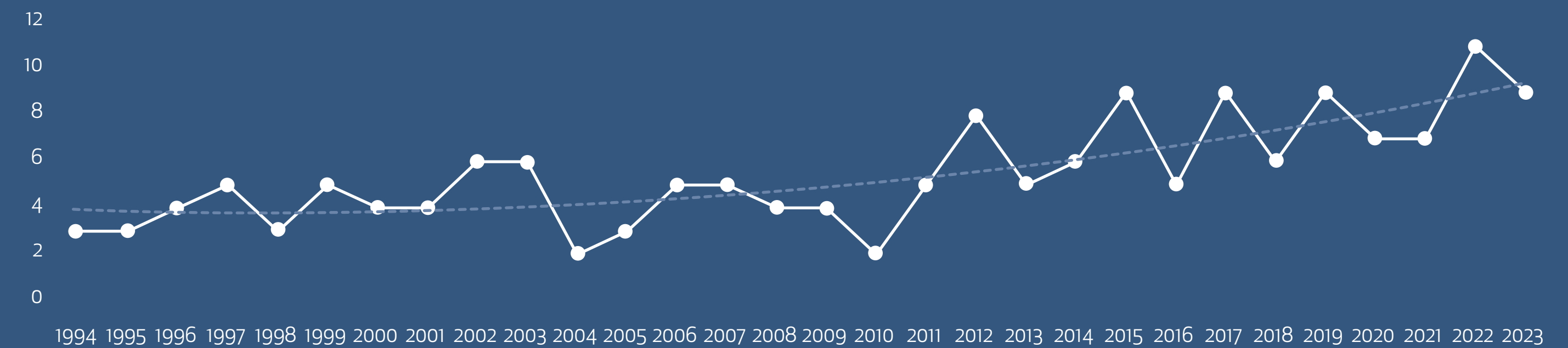
UnipolSai - Chief Property & Casualty Officer



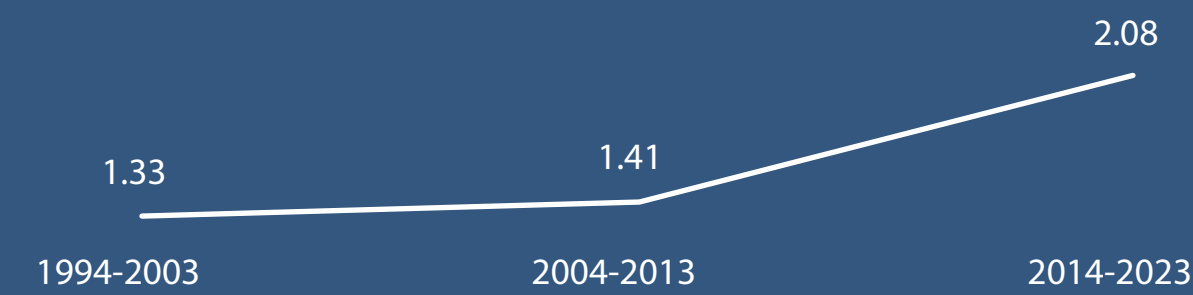
The European Extreme Events Climate Index offers an instrument for the evaluation of the frequency and severity of extreme weather events by analysing the ERA5 dataset of Copernicus Climate Change Service (C3S).

In the index data, extreme events are identified with values above 1 and it is possible to observe how in the last decade the number of months per year where extreme events have been registered has increased by 105% compared to the previous decades.

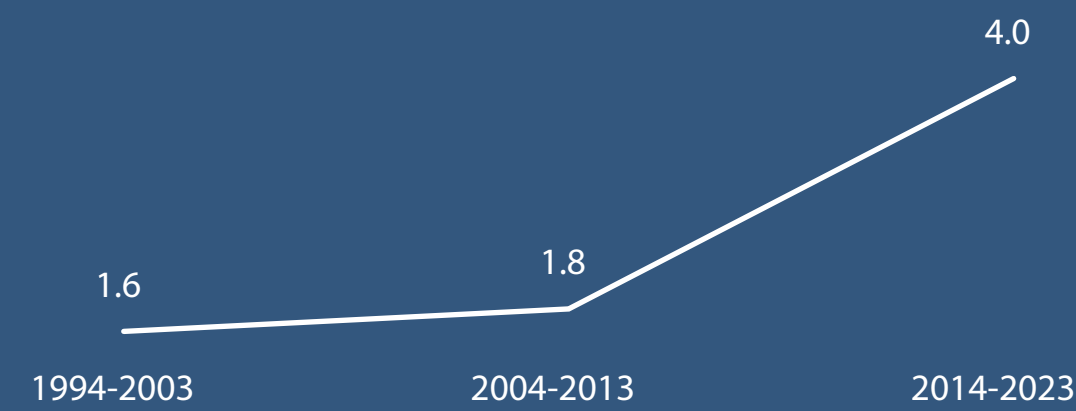
Frequency of months per year with significant anomalies of extreme weather events



~9 mld € damages caused by the floods in Emilia-Romagna in 2023⁽¹⁾

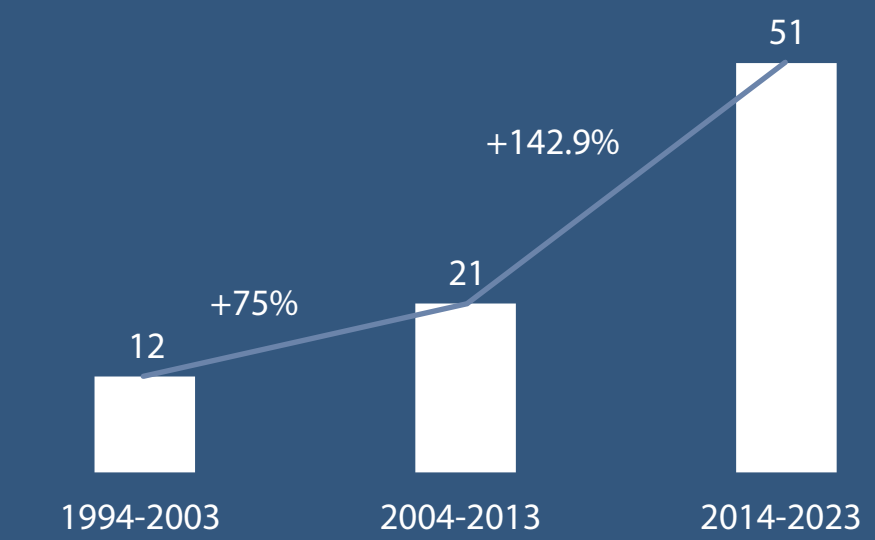


The **precipitation** phenomena show a +333% increase in terms of **frequency**, and also significant increase in terms of **severity**. In fact, the average severity of the 3 months characterized by the most intense events has increased by 56% in the decades under analysis



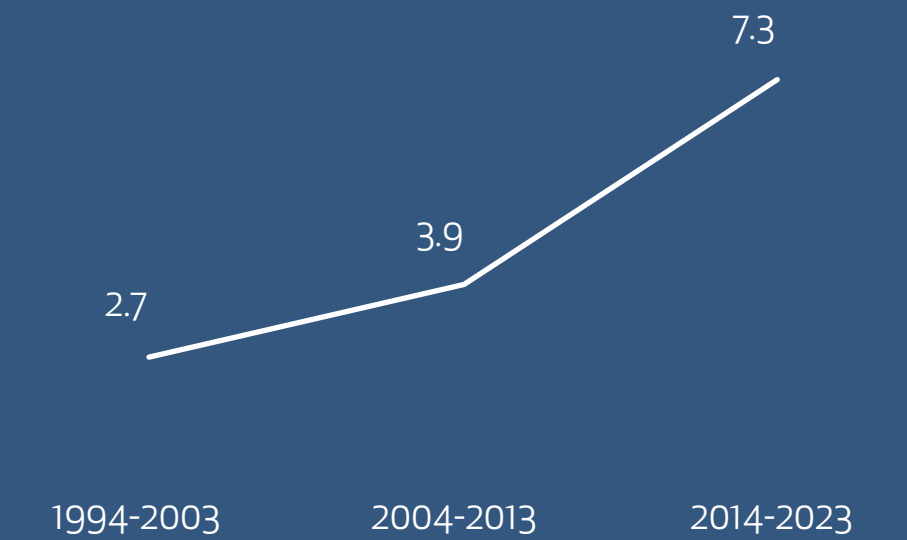
The **hail** phenomenon registers a significant increase in terms of **severity**. In fact the average severity of the 5 months characterized by the most intense events has increased by 155% in the decades under analysis

Frequency of months characterized by anomalies of Extreme Maximum Temperatures



The number of months characterized by **Extreme Maximum Temperatures** has registered the most increase both in terms of **frequency (+325%)** and **severity (168.5%)**

Average severity of the 5 months with the most intense events in the decades under analysis



(1) Source: Osservatorio Città Clima- Legambiente (<https://www.legambiente.it/wp-content/uploads/2021/11/Bilancio-CittaClima-2023.pdf>)

Data Source: European Extreme Events Climate Index (E3CI) climateindex.eu



IMPACTS

Main Potential Impacts

- **Increase of claims** due to exacerbation of extreme weather events
- **Increase of mortality rates**, hospitalization and morbidity due to heatwaves, especially affecting the most fragile population
- **Tightening of the reinsurance market**
- **Potential reduction of the car fleet** due to changes of mobility
- **Increased costs of claims management** related to electric mobility and sectors characterized by inherent risks, such as photovoltaic and hydrogen production
- **Increase of underwriting risks** linked to adverse selection for insurance contracts towards high-emission sectors

- **Loss of value of investments** in sectors exposed to physical risks and of real estate investments sited in coastal areas
- **Loss of value of investments** in Climate Policy Relevant Sectors and/or with low ESG rating
- **Increased risk of business** interruption
- **Reputational risk increase** due to the lack of ability to respond to the **emerging** protection **needs of the Country**
- **Reputational risk** increase linked to negative impacts on climate, lack of support to the **climate transition and greenwashing practices**

Main Actions taken by the Group

- Introduction of **climate risk pricing models** based on probabilistic models that describe the underlying physical phenomena of natural catastrophes, considering the characteristics of the insured assets and the risk concentration
- Evolution of **dynamic pricing** systems
- Strengthening of **technical measures and data enrichment of information bases** to account for variables not considered so far in pricing (e.g the presence of photovoltaic panels)
- Review of **reinsurance strategies**
- Development of risk **prevention instruments** (weather alert service) and in support of claims management (satellite data analysis)
- Development of **public-private partnership projects** to provide knowledge and instruments to Italian small-medium enterprises and the agricultural sector to increase their adaptation capacity to climate change ([LIFE DERRIS](#) e [LIFE ADA](#))

ACTIONS

- Founding of the [Urban Mobility Council](#) with the aim of promoting a permanent discussion platform to share ideas, researches and case studies to stimulate conversations on new forms of mobility, which are more and more at the center of Italian and European industrial and energetic policies
- Adoption of a [Climate Strategy](#) with definition of medium-long term GHG emission reduction targets to support the decarbonization pathway within the three main activity areas: (i) property development and management activities; (ii) Investments; (iii) Underwriting
- Adoption of **ESG guidelines** for the exclusion and monitoring of sensitive sectors within life and non-life underwriting activities and of issuers within the investment activities;
- [Green Bond](#) emission
- **Operative resilience strategy** by setting up actions aimed at integrating the business continuity plan

Cyber risk and cyber insecurity

Technology and Data



Main Macro Trends connected

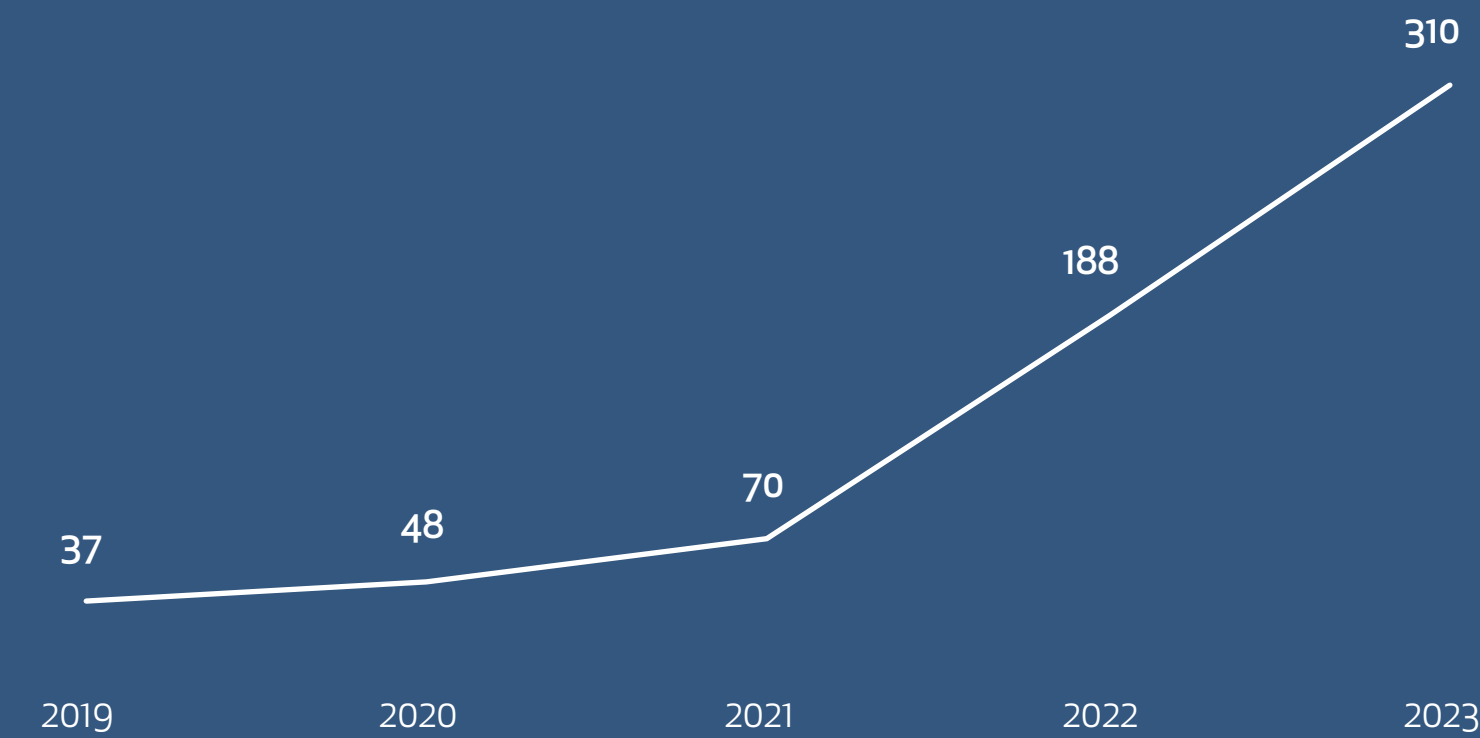
Cyber Risk and Cyber Insecurity refer to the **compromise**, primarily intentional but also accidental, **of the properties of confidentiality, integrity or availability of (digital) data, information and/or information systems** (hardware and software) and reflect the potential negative impacts on organizational operations (e.g. goals, processes, image or reputation), assets, individuals, other organizations and the Country.

These risks can originate externally or internally and can result from vulnerabilities present in the ICT area, but also from inadequate internal processes and/or controls, including physical security.

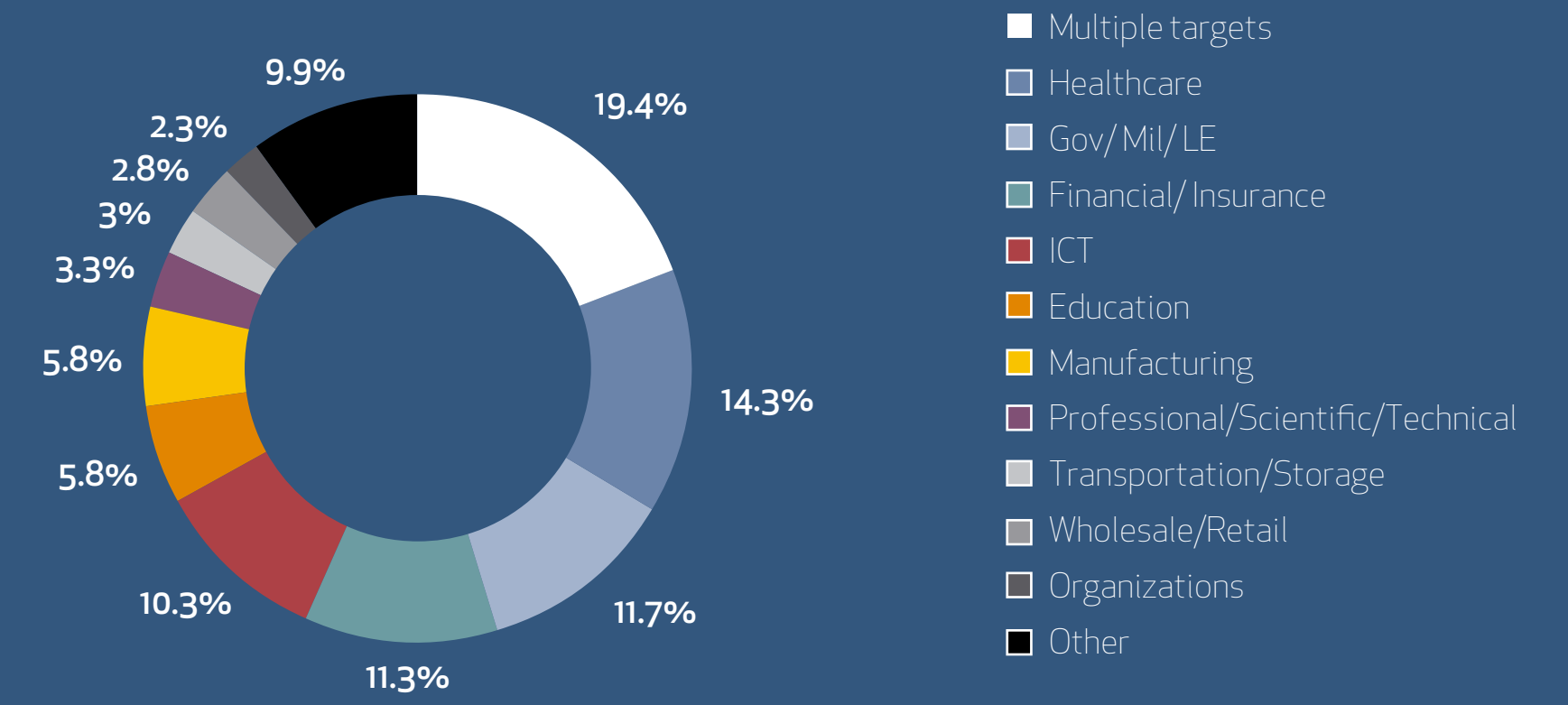
The rise and transformation of cyber risk is related to the evolution of technology, the pervasiveness of its deployment, and the increasing level of dependence in different domains, also having social implications.

Comparing 2019 with 2023 data, cyber attacks in Italy have increased by 8.4 times.

Cyber-attacks in Italy 2019-2023



Distribution of targets in 2023

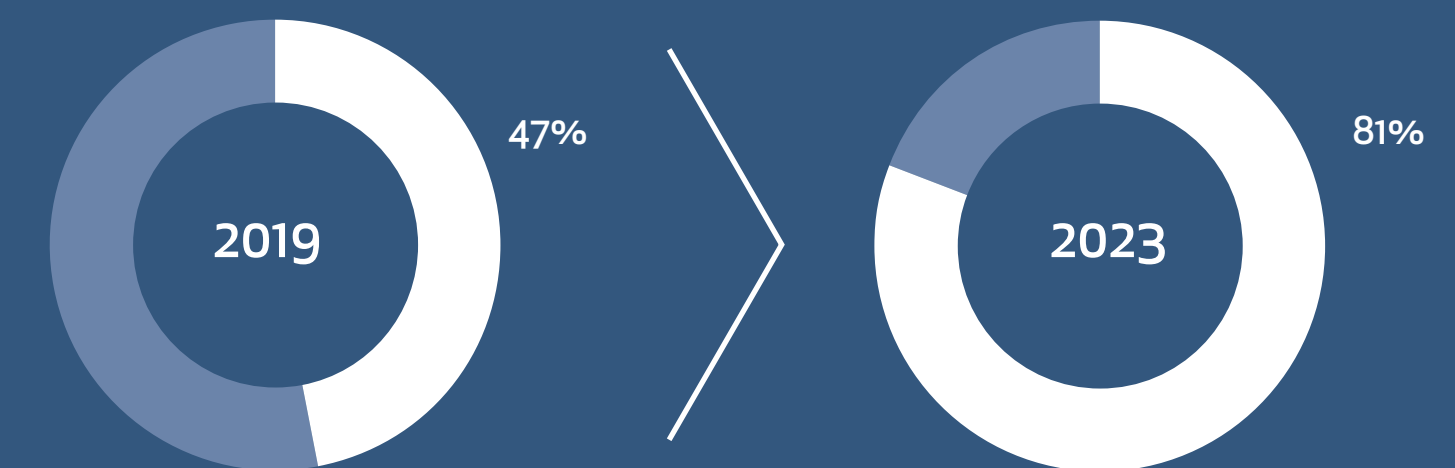


+12% of cyber-attacks in 2023 comparing to 2022 at **global** level, while **Italy** registered an increase of **65%**

The average cost of a data breach reached \$4.45 millions at global level and **\$3.84 millions** in Italy*

In Italy the DDoS registered a huge increase of 1.486% compared to 2022. Data theft and Ransomware are constantly growing, especially towards SMEs, accounting for 80% of targets**

In 2023 the attacks classified as “critical” or “serious” account for more than 81% of total attacks (in 2019 represented only 47%)



* Source: Cost of a Data Breach Report 2023, IBM

** Source: Assintel

Data Source: Rapporto Clusit 2024 link [clusit.it/wp-content/uploads/download/Rapporto_Clusit_2024_web.pdf](https://www.clusit.it/wp-content/uploads/download/Rapporto_Clusit_2024_web.pdf)

Main Potential Impacts

- **Increased underwriting risk** related to cyber affirmative policies
- **Increased number and sophistication of cyber attacks** having impacts on own and invested companies' operations, with reputational repercussions
- **Increased risk of business interruption**
- **Increased privacy risk** related to loss of data confidentiality with possible sanctions from the Authority

IMPACTS

Main Actions taken by the Group

- Offering **of specific products to cover cyber risk**
- Structured **monitoring** process of cyber affirmative exposures
- Definition of **Cyber Security guidelines** based on international standards and ICT risk analysis
- **Preventive control measures in the areas of physical security**, network and perimeter security, systems security, application security, and data security
- Adoption of technological **solutions and monitoring activities** (e.g., SIEM, SOC, Vulnerability Assessment, Penetration Testing, periodic review of internal/external users, threat intelligence, access tracking)
- **Establishment** of procedures **for anomaly and incident management, Business Continuity and Disaster Recovery**
- **Delivery of structured training plans** to employees and agency networks, updated over time based on the evolution of threats and related countermeasures

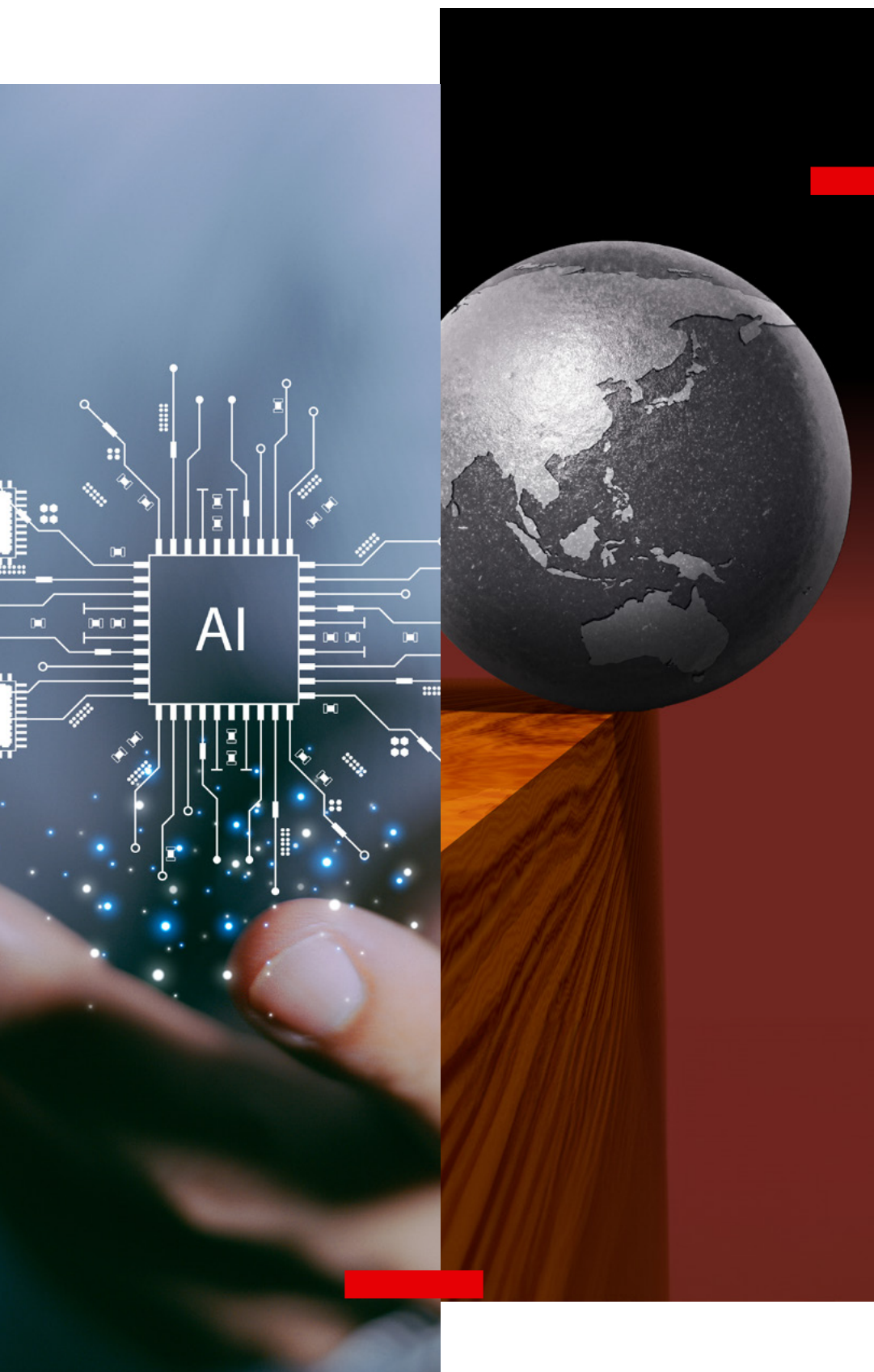
ACTIONS

Emerging Risks in a changing world



In a context of increasing uncertainty and continuous change, insurance is being called upon to extend its view to anticipate future challenges





Recent and ongoing shocks have drawn the attention to the increasing interdependency of our societies by showing the presence of deep interconnections between traditional and emerging risks. This system of interactions generates a cumulative and counterbalancing effect of impacts, with special emphasis on the proper identification of the potential exposure to each of the impacts underlying the single risks.

A holistic, structured, and forward-looking approach enables the understanding of the possible implications of these risks for the business, the Society and how they cascade on the different stakeholders. The ability to build interconnected risk scenarios allows us to observe the presence of cross-cutting driving forces and to identify the areas with higher exposure which require coordinated actions.

The technological evolution accelerated by Generative AI poses new ethical challenges that highlights the need to define governance of both data and models used. The massive use of these new technologies in the workplace increases the need to update skills, just as the rise of digital disintermediation requires an adaptation effort from customers.

The lack of adequate and equitable access to digital education can amplify the social divide by creating clusters of people that can be easy targets of the malicious evolution of information manipulation.

These scalable phenomena are generating forms of vulnerability that, if cumulated with the decrease of purchasing power caused by inflation and combined with less availability of resources resulting from instabilities such as wars and supply chains alterations, stimulate a perception of uncertainty and constant threat.

In an increasingly interconnected context of ongoing non-linear evolution, the insurance industry is facing new future challenges that require an anticipatory and innovative approach, oriented to complexity management, in order to ensure the sustainability of the business.



Artificial Intelligence

Technology and Data



Main Macro Trends connected

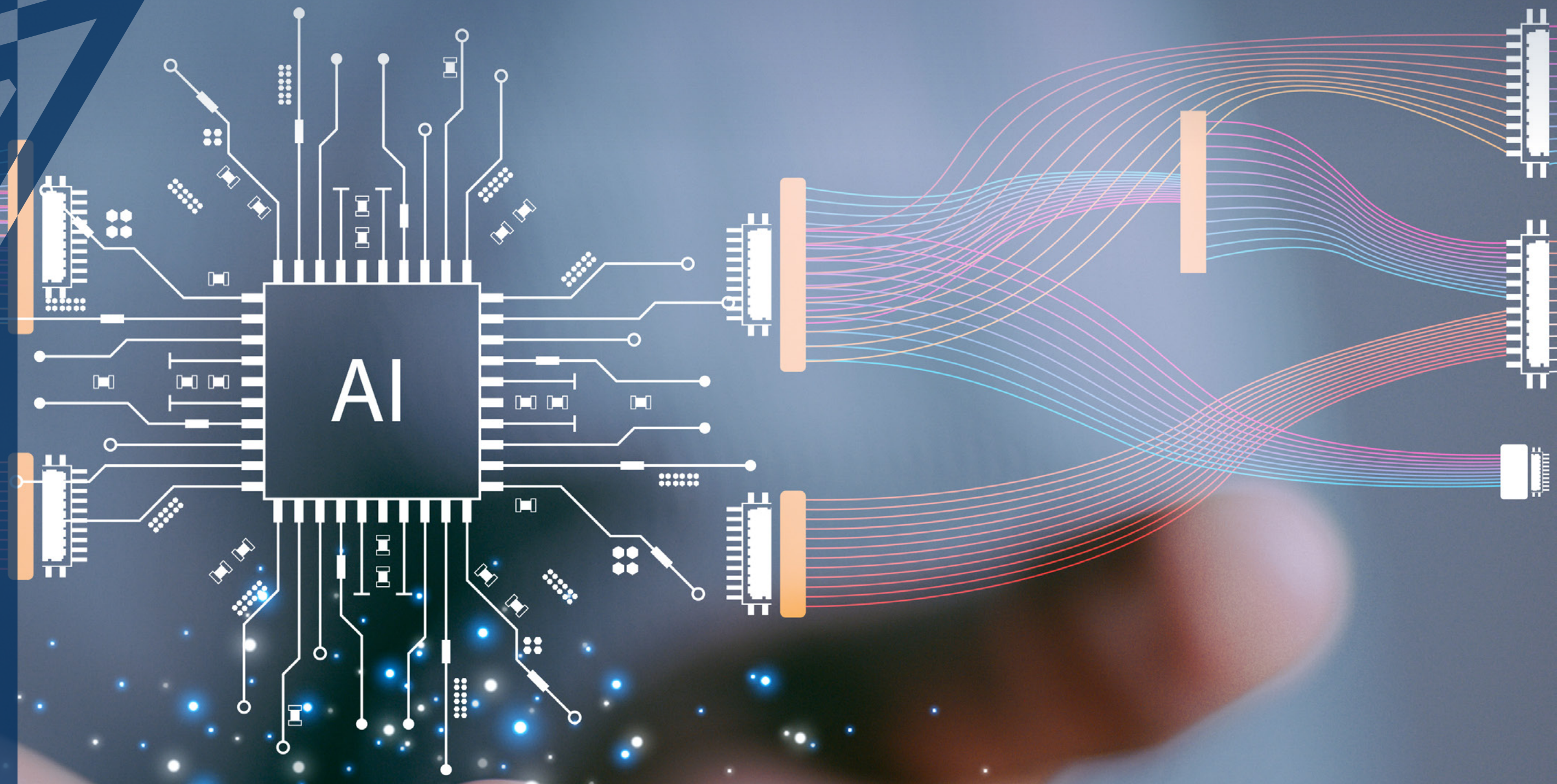
Artificial intelligence risk refers to the **possibility of suffering potential losses resulting from the use of artificial intelligence from two different perspectives:**

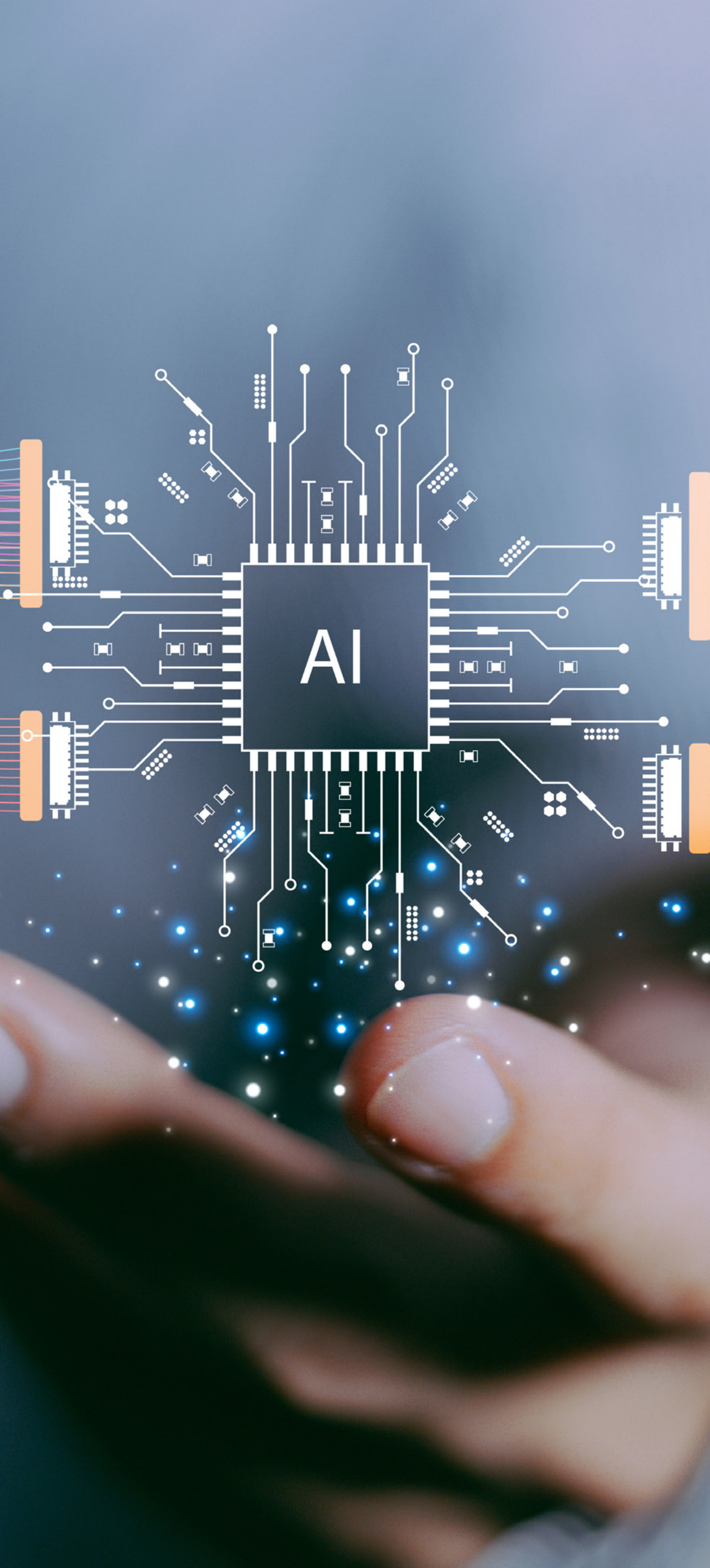
1. **Technological perspective**, which includes the following risk drivers:

- **Data and input**, which includes risks related to:
(i) confidentiality and (ii) data inaccuracy, (iii) security;
- **Artificial intelligence models**, which includes risks related to:
(i) transparency of AI algorithms and (ii) misuse;
- **Activities and outputs**, which include risks of:
(i) overdependence and (ii) reliability of models;

2. **Economic, social and environmental context perspective**, which includes the following risk drivers:

- **People and Planet**, which includes risks of:
(i) changes in the world of work and (ii) governance, data ethics and litigation;(iii) environmental sustainability threats;
- **Economic Context**, which includes risks related to:
(i) loss of strategic advantage. (ii) supply chain changes and
(iii) implications of systemic nature.





IMPACTS

Main Potential Impacts

- **Issues related to data ethics**, including in terms of possible data bias that can lead to discriminatory business practices
- **Evolving threats** related to cyber risk
- **Loss of strategic advantage** from not using AI models
- **Disappearance of certain jobs** and creation of new ones with consequent need for new skills and retraining of human capital

ACTIONS

Main Actions taken by the Group

- Launch of a **Group-wide Project to identify internal and external** use cases based on the **principles of productivity, technical excellence and sales effectiveness**
- Launch of a **project to define a governance model on Responsible AI issues**, including security issues and IT guardrails
- **Evolution of IT security guardrails** in reaction to emerging threats and identification of new threats
- **Orientation of skills to higher added-value activities**
- **Dissemination of GenAI solutions and knowledge**



Geopolitical Instability

Social Polarization



Main Macro Trends connected

Risks of geopolitical instability include **warlike conflicts** between states, including wars involving the use of mass destruction weapons (such as nuclear weapons, chemical, biological and radiological), terrorist attacks and internal socio-political conflicts. **Economic conflicts** are also included, aimed at economically and politically weakening of another country by leveraging trade policies or other means such as cyberattacks against critical infrastructure (cyber war). Also, **alliances, polarizations and other political dynamics are considered, including elections, which can influence geopolitical order.** These events can result from changes in the international order and from an increasingly multipolar world and can have macroeconomic, microeconomic, social and environmental implications.





IMPACTS

Main Potential Impacts

- **Increase of claims** associated with business interruption
- **Risks of supply chain disruption** and inflationary pressures
- **Tensions in financial markets** caused by geopolitical instability (stock market crash, rise of interest rates, inflation due to shocks of the supply-chain, value loss of fixed-income investments)
- **Increased vulnerability to cyber risk** due to geopolitical implications

ACTIONS

Main Actions taken by the Group

- **Diversification of suppliers** on core supplies
- **Diversification of investments**
- Integration within investment policies of clauses for the exclusion of government issuers from countries that do not meet the minimum **ESG** performance thresholds or where serious human rights violations or predatory policies for environmental resources exploitation occur, causing global impacts
- **Evolving IT security control frameworks** in response to emerging threats and identification of new threats

Impacts on the Supply Chain

Economy and Finance



Main Macro Trends connected

Risk of a rise in the price of critical commodities and energy, also connected to possible conflict escalation, generating inflationary pressures, with impacts on supply chain costs and costs and dynamics of claims, as well as potential effects on economic growth.



IMPACTS

Main Potential Impacts

- **Reduced spending capacity** of customers, with lower propensity to insure
- **Increased cost of claims management** and operating costs
- **Negative impacts on investments** resulting from inflationary events and possible impacts of central banks' monetary policies on the interest rates

ACTIONS

Main Actions taken by the Group

- **Monthly splitting of premiums** with the aim of protecting the purchasing power of customers
- **Increased channeling of claims**, in particular through the development of *Beyond Insurance* to mitigate inflationary phenomena and ensure greater oversight on the supply-chain
- **Diversification of suppliers**
- **Diversification of investments**

Digital disintermediation and New Players

Business Transformation



Main Macro Trends connected

Risks associated with disintermediation of the relationship with the customer due to digitalization and technology (e.g., blockchain), but also to the growing trust in p2p models and customer empowerment, having potential impacts on traditional distribution channels and business models. **Development of service ecosystems** that overcome the limits of traditional industries and markets, with the potential rise of new players.





IMPACTS

Main Potential Impacts

- **Increased customer infidelity** to the brand
- **Competition** from new players and new channels
- **Risk of loss** of data control and customer relationship
- **Increased reputational risk** with the consequent need for evolution and strengthening of the related control measures

ACTIONS

Main Actions taken by the Group

- Strengthening of **services with added value and distinctive Customer Experience**
- **Omnichannel evolution of the distribution model**
- **Strengthening of bancassurance and partnerships**
- **Reputation Management Program** to consolidate and protect reputational asset

Skill Mismatch

Business Transformation



Main Macro Trends connected

The risk of skill mismatch **includes the lack of new skills needed for the management of emerging Macro Trends as well as the new soft skills such as complexity management and multiculturalism.** It includes also the need to convert human resources with new skills and the difficulty of managing human capital in the presence of increasing population aging and greater need to enhance diversity (e.g., by generation, gender, education and cultural background).





We want to turn the risk of mismatching into an opportunity of growth and development, ensuring the sustainability and success of Unipol in the long term and confirming our commitment to excellence and innovation



Silvia Lazzari

Unipol Gruppo - Chief Human Resources Officer

In the current context of rapid technological evolution and digital transformation, the risk of technical and managerial skills mismatching represents a critical challenge for Gruppo Unipol as well. The **increasing complexity of markets and the rise of new technologies** require increasingly advanced and diversified skills. The lack of an adequate alignment between the demand and availability of skills can compromise the **ability to effectively respond to customer needs and maintaining competitiveness on the market**.

To mitigate this risk, we adopt a **strategy of integrated action**: we invest in programs for continuous and customized skills updating and, where necessary, we integrate professionalism from the market within centers of excellence, such as the Group's insurtech company. In particular, we promote Professional Development and Talent Management programs aimed at generational turnover and managerial evolution of our key resources (Mid-Term Successor and Potential), we support our workforce in their upskilling paths through the training courses provided by our Academy, and we have undertaken a digital transformation journey aimed at spreading a new mindset, new behaviors and digital skills throughout our population.

As a Group, we therefore promote a **corporate culture** that aims at shaping human capital that is proactive and ready for future challenges: we want to turn the risk of mismatching into an **opportunity for growth and development**, ensuring the sustainability and success of Unipol in the long run and confirming our commitment to excellence and innovation.



IMPACTS

Main Potential Impacts

- **Shortage of skills** needed to cope with the changing external context
- **Difficulty in attracting and retaining workforce** bringing distinctive knowledge and skills to the business
- **Risk of losing competitiveness** in the market

ACTIONS

Main Actions taken by the Group

- **Unipol Corporate Academy**
- Medium to long-term programs aimed at **generational turnover and attraction of new skills** (Mid-Term Successor and Potential)
- **Digital transformation paths** through the involvement of employees in the dissemination of digital culture and creation of new skills through dedicated training courses



Social polarization increase and social tensions

Social Polarization



Main Macro Trends connected

The risk of social polarization increase and social tensions **includes violent social contrasts, social anger and political instability due to the rise of social polarization** (among generations, genders, by economic and financial conditions, by skills and opportunities) **and the increasing number of people in poverty**. It also includes the failure to foster financial inclusion, that is, the ability of making products and services accessible, comprehensible and financially sustainable for all segments of the population.





IMPACTS

Main Potential Impacts

- **Under-insurance** and reduced demand for insurance
- **Risk of increased insurance fraud**
- **Seeking of low prices** and competitive pressure from low-cost channels such as direct channels and comparators
- **Loss of social cohesion**
- **Lack of accessibility to health and welfare** for more vulnerable segments of population

ACTIONS

Main Actions taken by the Group

- **Monthly splitting of premium payments**
- Provision of insurance tools to **protect living standards**
- Development of **anti-fraud tools and processes** to limit adverse effects on pricing
- Contribution to developing a **culture of insurance and risk management**
- Development of **networks of affiliated structures** within the insurance ecosystems with the aim of improving the channelling of claims
- Development of **services to promote accessibility to health care** ([*SiSalute*](#))

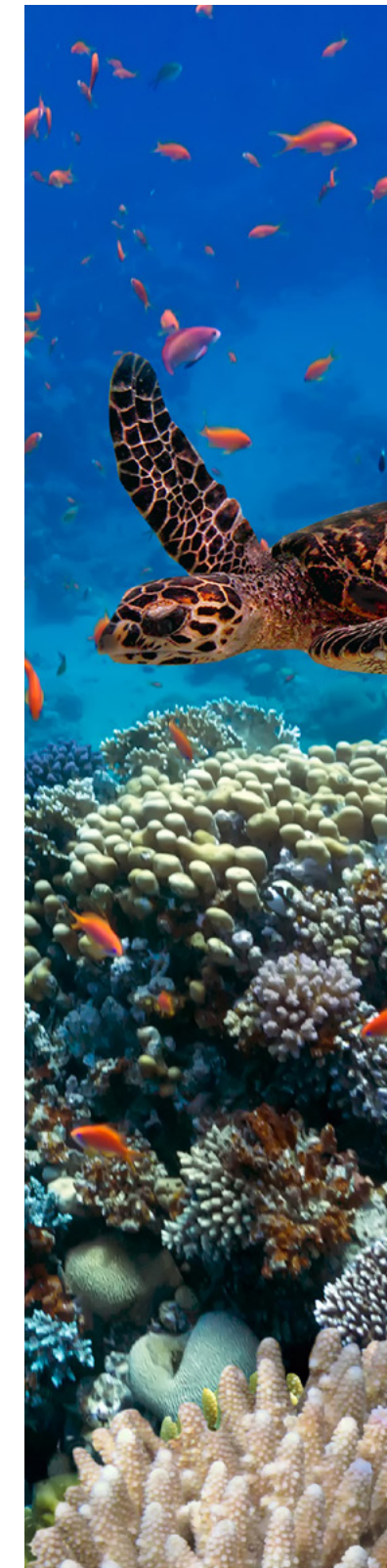


Human Wellbeing: the evolution of health and wellbeing in the light of changes in Nature and Biodiversity



Mens sana in corpore sano, but only if the planet is healthy





The evolution of Society came along with forms of dissociation between Human and Nature to an extent that interferes with the stability of natural cycles.

These alterations produce negative effects that reverberate on natural systems, favouring new forms of emerging risks, including biodiversity loss.

The reduction of living species, both in terms of abundance of individuals and of number of species inhabiting a certain place, represents a growing threat, as it compromises the ability of ecosystems to provide essential services such as the availability of fertile soils rich in nutrients for plants, along with the mix of species, including pollinators and pest predators, which are necessary patterns for producing high nutritional value food, but also clean water, clean air, etc.

Living in a degraded environment with foods poor in nutrients has significant impacts on people's quality of life, favouring the appearance of respiratory diseases, cardiovascular and neurological diseases, as well as mental disorders such as depression and anxiety, with inevitable chronic effects.

These negative effects, combined with other forms of risk such as reduced purchasing power in the access to care, primarily impact the most vulnerable, spreading within societies and increasing social polarization. In this scenario, insurance companies can play several roles, from stimulating and promoting preventive systems such as a healthy lifestyle, to offering a wide range of health-oriented services that can accompany people throughout their life cycle.



Environmental pollution has major impacts on human health, causing respiratory and cardiovascular problems, oncological pathologies, neurological problems and mental illnesses (recent studies have shown a connection between air pollution and increased cases of depression and anxiety).

In this context, adequate prevention, both physical and mental, becomes crucial. Adopting prevention measures means promoting healthy lifestyles, reducing exposure to harmful substances and encouraging the practice of periodic screenings and dedicated check-ups. However, taking these measures is not always simple without the right support. This is why the role of insurance companies becomes increasingly relevant in accompanying the policyholders towards healthy and balanced lifestyles. They do not only cover medical expenses in case of illness, but they can also encourage prevention.

Unipol Gruppo, through **UniSalute**, has been offering for many years packages and check-ups dedicated to **cardiovascular and oncologic prevention, specifically customized by age and gender** and acknowledges the importance of mental health by integrating its services with professional psychology and psychotherapy sessions to address problems such as anxiety, depression, stress, trauma and other mental and emotional disorders. Promoting prevention through health policies not only helps reducing the incidence of diseases, but also represents a long-term investment for the reduction of chronicity in the third and fourth age.

Promoting prevention is an investment for the future

Giovanna Gigliotti

*UnipolSai - Chief Life & Health Officer
UniSalute - CEO*



Biodiversity Loss

Climate Change and Biodiversity



Main Macro Trends connected

Risk of significant biodiversity loss, degradation of species' abundance and collapse of natural ecosystems (terrestrial and aquatic, marine and freshwater) resulting in significant impacts on ecosystemic services, human health and psychophysical wellbeing, food security and profitability of economic activities over time. **Risks arising from the transition to a "Nature-positive" economy are included**, namely regulatory, technological and market preferences changes.





IMPACTS

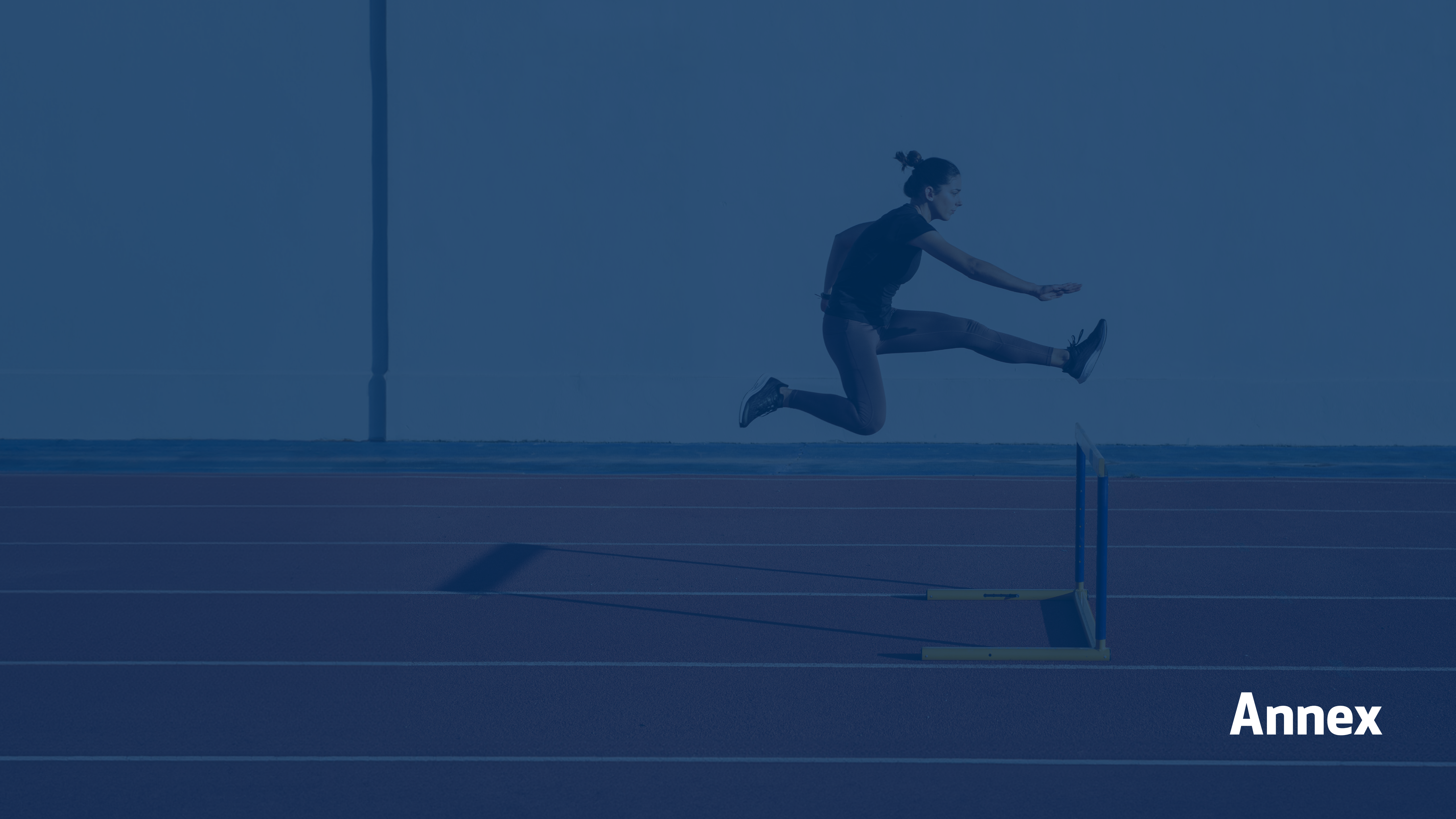
Main Potential Impacts

- **Increased risks related to mental and physical health** due to the degradation of the natural environment and the loss of the positive effects that nature brings to human well-being
- **Value drop of investments** in sectors that are highly dependent and/or impacting on nature or do not promote an adequate Nature-positive transition
- **Loss of value of properties** sited in exposed areas
- **Increased reputational risk** related to negative impacts on biodiversity and failure to support the transition to a Nature-positive economy, as well as to greenwashing practices

ACTIONS

Main Actions taken by the Group

- Development of solutions dedicated to the **protection of both physical and mental health throughout the entire life-cycle** (Integration of healthcare and services in life-cycle logic)
- Offering of **targeted prevention paths, customised by age and gender**
- Initiatives to enhance and *restore Biodiversity* in partnership with NGOs
- Promotion of initiatives aimed at restoring the quality of *marine environments*
- Initiatives aimed at supporting *reforestation*
- **Urban revitalisation** and renovation initiatives to enhance the Italian architectural park (*UrbanUp*)



Annex

Anticipation and Monitoring of Macro Trends

SOCIAL

- Sharing Economy
- Hybrid Consumer
- Precariousness and Polarization
- Human Society
- Wellbeing
- New skills
- Intangibles

TECHNOLOGICAL

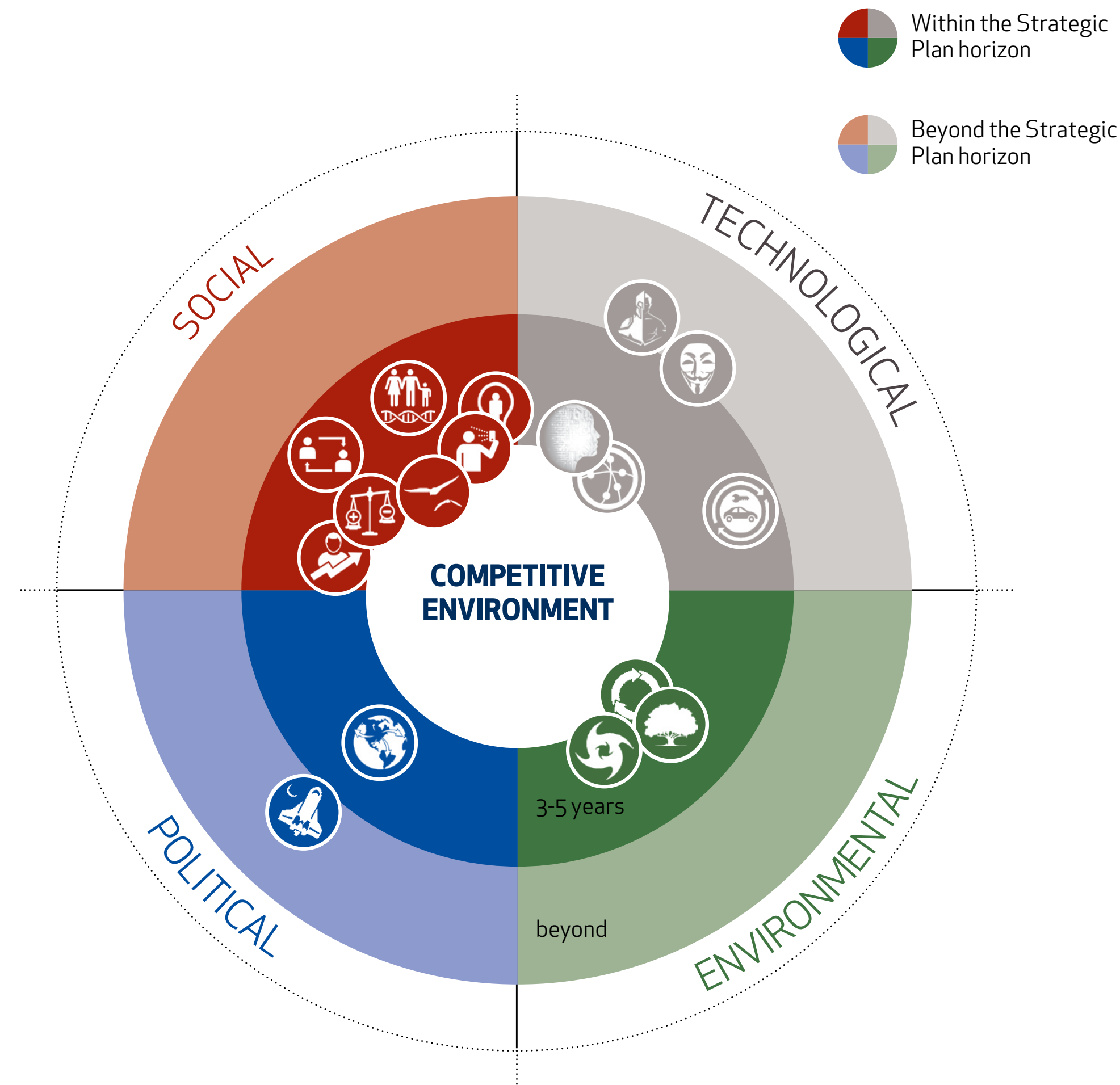
- Internet of Everything
- New Mobility
- Artificial Intelligence and Robotics
- Dark side of Technology
- Augmented Humans - Cyborgs

ENVIRONMENTAL

- Climate Change
- Circular Economy
- Nature and Biodiversity

POLITICAL

- New Frontiers
- Space Economy



Meeting Point model

To guarantee a **forward-looking** vision, the Reputational & Emerging Risk Observatory adopts a predictive model based on the Meeting Point methodology, which anticipates future trends according to different time spans. The documentary sources are the starting point that generate communication flows influencing the evolution of the Meeting Point and enables quali-quantitative evaluations of trends and their persistency and spread across a 5-years time span.

The Group **Emerging Trend Radar** maps the Macro Trends of changes in the external context identified by the Reputational & Emerging Risk Observatory.

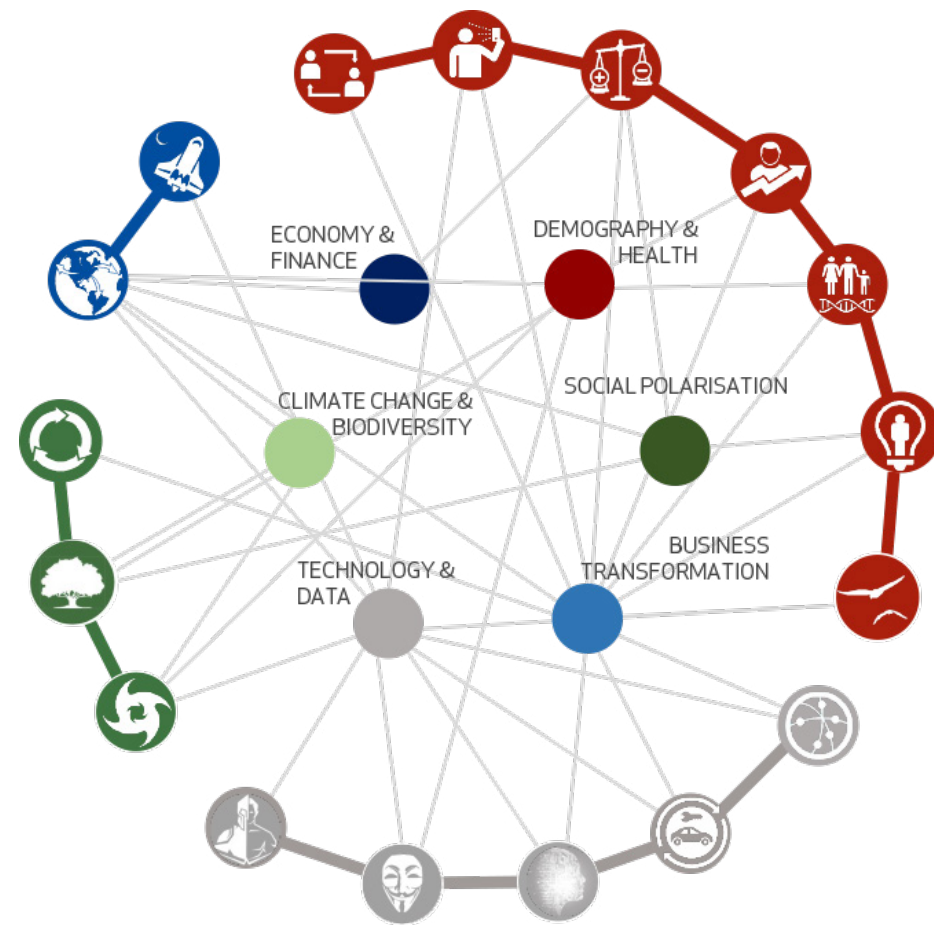
In the context of the Radar each topic is classified based on:

- **Its predominant component:** the radar is divided into four quadrants corresponding to the four dimensions of the external context: Social, Technological, Environmental and Political (STEP)
- **Level of maturity:** in its innermost circle the radar includes the Macro Trends resulting to be material for the insurance sector in the time span of the Strategic Plan, and in the outer circle the Macro trends that will become material in a wider time span.

The Observatory has developed a **KPI-based** monitoring system of the evolution of Macro Trends which allows to verify their **relevance over time**

From Macro Trends to a Framework for Anticipatory Management of Emerging Risks

Macro Trends Map and Risk Domains

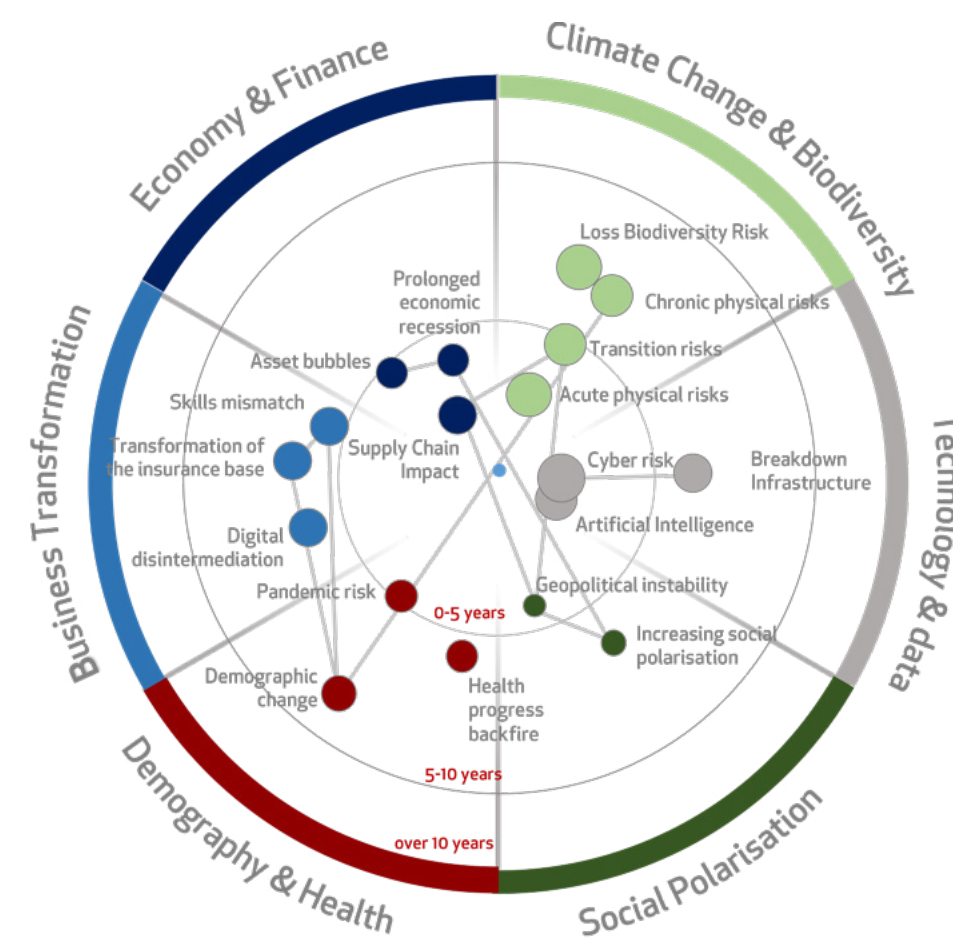


Identification of Emerging Risks

The integrated Macro Trend analysis enables the identification and definition of the Emerging Risks map by grouping them into 6 Risk domains.

In the Macro Trend and Risk domains Map, interconnections are identified to capture the push and transforming effects of Macro Trends on Emerging Risk domains.

Emerging Risk Radar

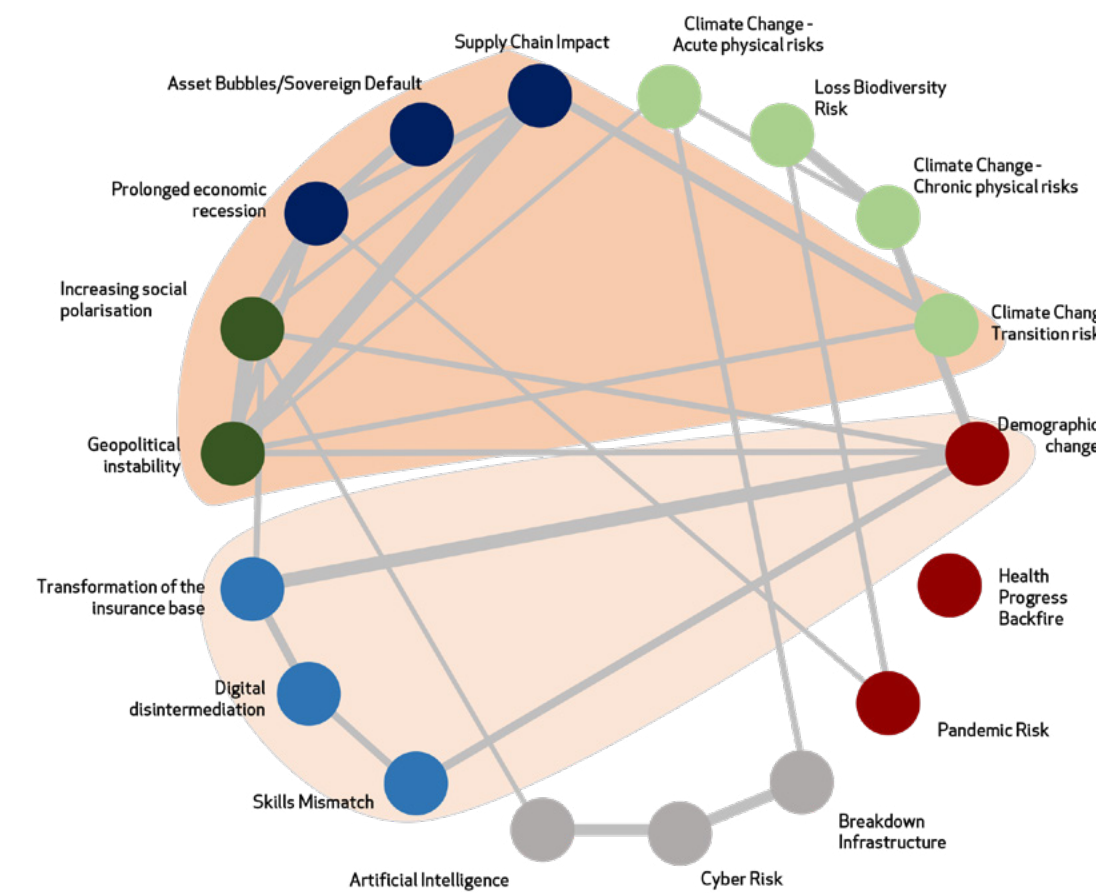


Emerging Risks Assessment

The assessment is carried out through the involvement of a panel of external experts based on the risk area. The assessment is conducted on several dimensions: time horizon, likelihood, impact and degree of interconnection.

Based on these assessments, the Group's Emerging Risk Radar and the Map of Interconnections of Emerging Risks are created, with their related Risk nexus.

Map of Interconnections of Emerging Risks



Heatmap of Exposure to Emerging Risks

Illustrative

	P&C AND HEALTH INSURANCE TECHNICAL RISK	LIFE INSURANCE TECHNICAL RISK	MARKET RISK	STRATEGIC RISK	REPUTATIONAL RISK	OPERATIONAL RISK
	Red	Red	Red	Yellow	Yellow	Red
	Red	Red	Yellow	Yellow	Red	Red
	Yellow	Yellow	Red	Gray	Gray	Gray
	Yellow	Yellow	Red	Yellow	Yellow	Yellow
	Yellow	Yellow	Red	Yellow	Yellow	Yellow
	Yellow	Yellow	Gray	Gray	Red	Red

Analysis of relevance and scenarios

For priority risks, a materiality analysis is carried out on the Group by assessing the potential impact of these risks on the main traditional risk categories through the identification of risk drivers, analysis of transmission channels and data collection for the construction of an exposure heatmap.

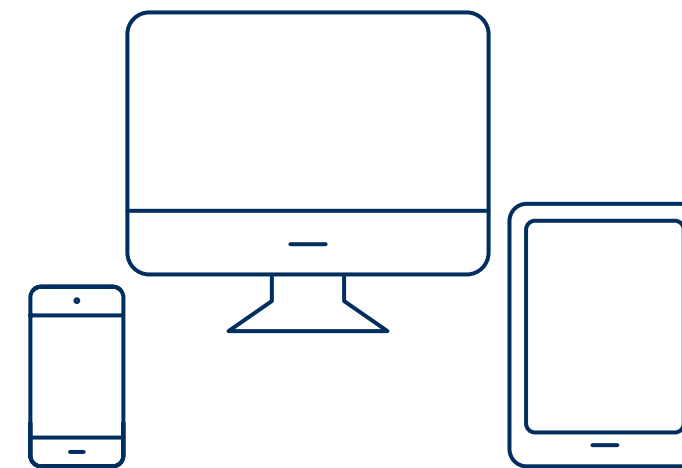
For the Emerging Risks which are most relevant for the Group, analyses are also performed by scenario analysis.



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