

Emerging Risks

This document contains the a.s.r. emerging risks for 2024 which are derived from the outcome of the strategic risk analysis 2024. The full outcome of the strategic risk analysis 2024 will be published in the Annual Report 2024.

Emerging risk - Changes in society

Changes in society are intensifying, the long-term consequences are inherently uncertain and potentially large.

Society in the Netherlands has become more fragmented, polarised, and individualised. Social dynamics of the changing welfare state (social system) also play a role. There are circumstances that make some people more adaptable to these changes than others. Causes include:

- demographic developments including urbanisation, ageing, more singles and single-parent families and an increase in immigration. Moreover, inequality can be triggered by government intervention;
- financial developments including increasing disparities between rich and poor resulting in greater political uncertainty, i.e. populism.;
- social developments including increasing differences between the theoretically educated and the more practically educated and changes in livelihood security through contract forms and jobs. In addition, conspiracy thinking is on the rise;
- technological developments including automation, digitisation, artificial intelligence, Internet of Things (IoT), new forms of mobility such as (shared) electric cars and 'pay for use' propositions.

The role insurers have in society is changing as these new developments impact the way an insurer invests, markets its products, and delivers its services. It also requires an insurer to complete supporting processes and systems, as well as data-driven requirements needed by customers and regulators in light of this changing society.

Potential impact a.s.r.

Key risks for a.s.r. with a potentially high impact are:

- the risk that investments, products and services do not meet changing customer, employee, societal and shareholder needs in a timely manner;
- the risk of not responding in a timely manner to technological developments, ranging from adaptations of the operational and distribution model to adopting new (IT) solutions;
- the risk that financial institutions focus on markets with the highest margins and lowest barrier to entry, leading to differentiation. The core principle of insurance is no longer feasible as solidarity is declining and thus insurers are contributing to polarisation.

a.s.r. is most affected by financial developments from a disposable income perspective. a.s.r. Mortgages, Disability, Real Estate, Asset Management and Health are most affected by social and/or demographic developments. Related developments in this context are funding for other forms of housing for Mortgages and Real Estate, a change in the investment portfolio of Asset Management and a portfolio change for Disability and Health straining higher pricing and lower results. Property and Casualty (P&C) and Distribution & Services (D&S) are most affected by technological developments with potential impact on higher claims and insurability for customers.

Mitigating measures and actions

a.s.r. monitors and assesses relevant developments for possible risks and implements appropriate control measures. In doing so, a.s.r. periodically monitors the progress of claims and determines what impact a.s.r. has on the changing society through its investments, products and services. To identify developments and anticipate them in a timely manner, business units of a.s.r. have formulated responsibilities in governance and participate in various (Alliance) collaborations.

Measures taken by a.s.r. are the continuous improvement of processes, systems, products, services - including insurability and insurance rate - and data quality for data-driven applications as well as implementing technological developments including learning to use algorithms and understanding their capabilities and potential risks.

Emerging risk - New pandemics and infectious diseases

Future pandemics and infectious diseases are inevitable, the long-term consequences are inherently uncertain and potentially large.

The impact of the corona pandemic on a.s.r.'s strategic objectives, operational processes and financial performance has proved to be relatively limited. The course of a new pandemic and the (long-term) consequences on society, the economy and a.s.r. are inherently uncertain and potentially large.

There is a risk that society will face new impactful (global) infectious diseases or changing patterns of infectious diseases in the future. Possible causes include climate change and population growth. There is also another uncertain factor in zoonoses (infectious diseases that can pass from animals to humans) that can lead to new diseases or variants of known diseases that can be (extremely) harmful to health. People may also experience long-term symptoms after infection. The course of a disease and government measures can affect a.s.r.'s strategic objectives and operational processes. The potential impact on financial markets may affect a.s.r.'s financial performance.

Potential impact a.s.r.

Key risks for a.s.r. with a potentially high impact are:

- the risk of a high number of infections, absenteeism notifications, disability notifications, patient admissions to hospital or deaths;
- the risk of incorrect premium setting; delayed, stripped down or extra care; inability to meet duty of care;
- the risk that models are no longer valid and/or that healthcare providers experience financial or operational problems;
- the risk that part of the workforce will drop out over a protracted period of time and/or growth and profitability targets cannot be (fully) realized.

a.s.r. Disability, Health, Life & Funeral and Pensions are most affected by potentially more and/or higher than anticipated claims.

Mitigating measures and actions

a.s.r. monitors and assesses relevant developments for possible risks and implements appropriate control measures.

Key control measures in place at a.s.r. to mitigate risks are:

- a.s.r. has developed policies and procedures, measures and steering information to manage the impact of the corona crisis and is closely monitoring the development of the current pandemic. These resources and the lessons learned from the corona crisis at a.s.r. provide input for managing the impact of any new pandemic. A central crisis organisation has been set up within a.s.r. which will be activated when necessary;
- a.s.r. contributes to the government's approach by following basic measures to prevent any spread. In a broader sense, strategic developments such as continuously strengthening the physical and mental fitness of employees and encouraging exercise and a healthy lifestyle among customers/employees (a.s.r. Vitality) contribute to increasing the resilience of a.s.r. and its environment.

Health is participating in the Green Deal Sustainable Healthcare to reach market-wide agreements to make the health-care sector more sustainable. Emerging Risks

Emerging risk - Quantum computing

Quantum computing is at an experimental stage, the long-term consequences are inherently uncertain and potentially large.

Quantum computing is changing the way computations are done and provides substantially more computing power. This affects applications that rely on complex computations, such as scenario analyses, artificial intelligence models and cryptographic encryption, among other things. Parts of the cybersecurity/information security of a.s.r. rely on cryptographic encryption of data and passwords.

The General Intelligence and Security Service (Algemene Inlichtingen- en Veiligheidsdienst; AVID) released a handbook on 4 April 2023 that supports organisations with concrete steps and advice to mitigate the threat of quantum computing to cryptography. At which moment quantum computing will pose a threat to currently used cryptography, is unpredictable. The AIVD warns that regardless of this uncertainty, organisations will still need to work on solutions now because of the risk posed by quantum computing. In this context the AIVD proposes advice to organisations processing data that should remain confidential even as long as 20 years from now, and specifically mentions insurers. In addition, the AIVD indicates that the most promising solution is so-called post-quantum cryptography (PQC). PQC are algorithms that are also secure against quantum attackers, however, they are in the early stages.

Potential impact a.s.r.

Key risks for a.s.r. with a potentially high impact are:

- a.s.r. can simulate complex calculations for (non-)financial models thanks to this technology. This makes it possible to discover optimal scenarios in a (cost-)efficient way, including in the context of improving products and services;
- the risk of (confidential) information becoming available to unauthorised persons and/or the continuity of (automated) data processing being disrupted because encryption measures do not work adequately, resulting in non-compliance with legislation and regulations, financial loss and/or reputational damage.

Quantum computing risk applies to all business lines of a.s.r.

Mitigating measures and actions

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