



Research and Strategic Foresight

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Emerging risks: the outlook for the next ten years

In each dimension of our society, the increasing number of crises – related to health, politics, the economy and the environment – raises questions on the trend in risks. Given the severity, scale or increasing intensity of these risks, we may need to adopt a new framework for analysing them. With an overload of information and multiform potential threats, studying emerging risks requires us to qualify and prioritise, harnessing our expertise and a set of convictions.

As a complete insurer, CNP Assurances commits technical and human resources every year to prepare ahead for risks. It is thus able to explore solutions commensurate with the needs of customers. With its status as a citizen-focused insurer, conferred by the major public financial group¹, CNP Assurances offers protection mechanisms that push the boundaries of insurability.

To that end, our Group is drawing up a list of:

- emerging risks,
- rapidly evolving risks,
- new risks likely to arise in the medium term.

This list provides avenues for discussion and foresight to prepare both individually and collectively for tomorrow's world. The Group's overview of identified risks provides a global view of the challenges in store in the coming years. These risks are highly uncertain, difficult to quantify, and may have a substantial impact in terms of losses.

Below is our ranking of the top ten emerging risks, with a summary of the top three. In a second part we offer you our forward-looking analyses of each of the risks in the top three:

- background information and major events in 2023,
- the potential impacts for insurers,
- the outlook through 2030.

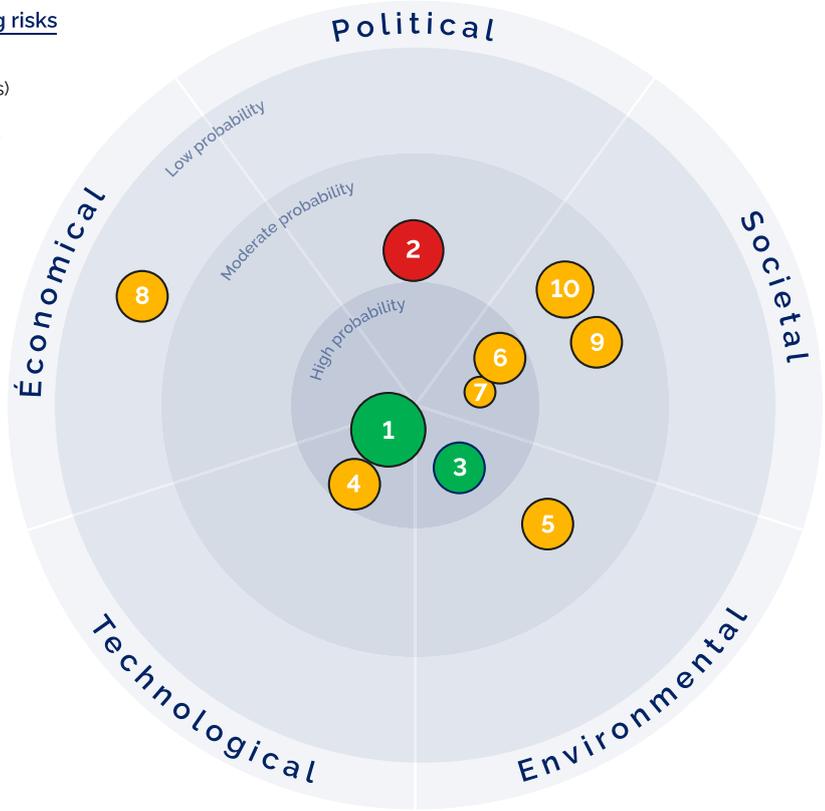
¹ The remit of France's major public financial group is to respond to the major challenges facing society by harnessing the combined expertise of La Banque Postale, Caisse des Dépôts, Bpifrance and CNP Assurances to reduce territorial divisions and finance the economy and major public service projects.

2023 trends : key takeaways

Our experts continuously monitor emerging risks through a forward-looking watch system. Each year, emerging risks are classified according to their potential impact and occurrence. For 2023, the overview of identified risks provides a global view of the challenges that lie ahead.

List of the main emerging risks

1. Digital risks (cyber risk and algorithms)
2. International political risk and crisis of confidence in institutions
3. Exceptional natural disasters
4. Vulnerability of strategic infrastructures
5. Health crisis
6. Growing inequality and social tensions
7. Migration
8. Major default risk (systemic crisis)
9. Deterioration of mental and physical health
10. Job insecurity



In 2023, digital risks (cyberattacks and uses of artificial intelligence algorithms) rank number-one. These digital threats generate specific risks that can compromise the security of natural and legal persons alike. Attacks targeting small businesses have increased significantly. Almost 2 in 5 have been victims of a cyberattack, up 50% in the last three years².

International political risk and a crisis of confidence in institutions rank as the number-two emerging risk. This risk is illustrated by increasing public distrust of institutions and the rise of populist movements against a backdrop of growing geopolitical instability. In 2023, this increasingly significant risk was embodied in the persistent conflict in Europe and the resurgence of tensions in the Near and Middle East.

The number-three emerging risk is exceptional natural disasters. Disasters of substantial scale occurred around the world in 2023. The earthquakes in Morocco and the Middle East were devastating, destroying many of the homes in the affected areas. Torrential floods in Libya and France (from the north to the centre-west) also wrought substantial damage.

² https://www.hiscox.fr/courtage/sites/courtage/files/documents/Rapport_Hiscox_sur_la_gestion_des_cyber-risques_2023.pdf

The methodology used to list emerging risks

Emerging risks are analysed on the basis of documentary watches and multidisciplinary cross-analyses. Information is cross-checked by the teams of the Risk Division and the Research and Strategic Foresight Department of CNP Assurances. The latter report on risk trends to all the company's departments.

To forge a cross-functional view of future trends and risks, an annual survey is carried out with a representative panel composed of risk management experts and directors of CNP Assurances. In 2023, a selection of 17 referenced emerging risks was submitted to the panel,

which was asked to rate them on a scale of 1 to 5 based on three criteria:

- the probability of occurrence within 5 to 10 years,
- the potential impact,
- the degree to which companies in the sector are prepared.

In the second part of this publication, we analyse in detail the three main risks identified.

1. Digital risks

Digital risks, which include cyberattacks and algorithmic risks, rank first in the top ten emerging risks. The average cost of a data breach in 2023 was \$4.45 million, up 15% in three years³. In extreme cases, direct and indirect costs have been estimated at tens of millions of dollars, not counting the impact on the company's reputation.

The advent of artificial intelligence and machine learning introduces new risk dimensions. These advances can be used to design more sophisticated and targeted attacks⁴. For example, cyberattacks such as phishing⁵ exploit the trust of users by simulating legitimate communications to obtain sensitive information. Data breaches and breaches of confidentiality are also pervasive risks. These incidents can have serious consequences, ranging from loss of confidentiality to the fraudulent use of data.

Growing reliance on digital services is also heightening concerns about digital risks, turning every attack into a devastating event. Vigilance and constant innovation in security measures are essential to cope with this rapid evolution of digital risks.

What are the impacts for insurers?

For insurers, the increase in cyberattacks constitutes a two-tier direct risk. They are exposed as companies with information systems and as managers of a large amount of data, often of a confidential nature. Faced with the increased need to protect against digital risks, insurers may also be exposed as risk bearers. Their ability to respond effectively to this demand could become a key factor in their competitiveness by 2030.

What is the outlook for 2030?

By 2030, the adoption of new technologies will offer interesting opportunities in risk assessment and claims management. However, with the proliferation of cyberattacks, insurers could face challenges of transparency, data protection and user consent. Concerns over the risk of algorithmic discrimination and exclusion relative to certain individuals could also grow significantly in the coming years.

³ <https://www.ibm.com/fr-fr/reports/data-breach#:~:text=Le%20coût%20moyen%20d'une,de%2015%20%25%20en%203%20ans>.

⁴ Phishing consists in tricking the recipient of a seemingly legitimate email into transmitting their bank details or login credentials to financial services in order to steal money from them. Phishing is one of the main forms of cybercrime.

⁵ <https://www.lesechos.fr/monde/enjeux-internationaux/inquietante-hausse-des-risques-politiques-et-sociaux-dans-le-monde-1987983#:~:text=Dans%20pr%C3%A8s%20de%20deux%20tiers,conjuguent%20pour%20d%C3%A9primer%20l'activit%C3%A9>.

2. International political risk and a crisis of confidence in institutions

Political risk, which includes a loss of confidence in institutions, places second in our ranking of emerging risks. It echoes all the national and international political events and decisions having had significant economic and commercial consequences. Geopolitical instability was particularly strong in 2023, with an upsurge in tensions in several world regions, including Europe and the Middle East.

According to Coface, a credit insurer, political risk increased year on year in nearly two thirds of the countries analysed by the company (101 out of 160)⁶. In the medium to long term, this phenomenon could have a direct and lasting impact on the ability of people and companies to save and the ability of companies to invest and grow.

This risk is also associated with increased mistrust of institutions and their ability to manage current and future conflicts. This lack of confidence has taken the form of numerous social movements and the rise of populism in Europe and Latin America.

What are the impacts for insurers?

The weight of political risk has a direct impact on the economic activity of insurers. It may lead to a deterioration in the national and international socio-economic environment and a slowdown in economic growth and activity.

Although inflation has decreased in recent months due to the "mechanical" decline in energy and commodity prices from the peaks reached shortly after the invasion of Ukraine, it remains firmly anchored in developed economies. The increase in oil prices since the beginning of summer 2023 points to a resurgence in inflationary pressures, illustrated in particular by the impact of the rate hikes implemented by central banks.

Furthermore, a crisis of confidence in institutions, both national and international, would have a significant impact on the financial sector. Declining confidence in institutions could potentially lead to a significant decrease in private investment. The latter could shift towards other means of savings and investment.

What is the outlook for 2030?

The insurance sector could be profoundly transformed by current trends in institutional crisis and national and international political risks. In a climate of mistrust, the public could call for greater transparency and regulatory requirements for these institutions, seen as dysfunctional.

In response, insurers could change their strategy to become vital trusted third parties in society. These new and extended roles, more closely matching public aspirations, would lend greater legitimacy to the players involved in terms of social and financial protection.

⁶ <https://www.natura-sciences.com/comprendre/2023-record-temperatures.html>

3. Risk of extreme natural disasters

The risks associated with extreme climate disasters rose significantly in 2023. With a global surface temperature exceeding pre-industrial levels by 1.48°C, in 2023 we were just 0.02°C away from the limit set by the Paris Agreement⁷.

Predictive models suggest an intensification of extreme weather events, from hurricanes and forest fires to floods. Coastal regions are vulnerable to rising sea levels and increasingly devastating storms. Modified precipitation patterns, including prolonged droughts and torrential rains, also increase the risks of disasters such as wildfires and landslides. Ecosystems are increasingly weakened and threatened, while the risk of destruction to urban infrastructures owing to natural causes is on the rise.

In some cases, the risks of extreme natural disasters may entail serious health and social consequences. The IPCC has identified 8 main health risks likely to be heightened by climate change⁸. They are linked to:

- malnutrition,
- heat,
- infections transmitted by food and water,
- extreme weather events,
- occupational health,
- infectious diseases,
- air quality,
- mental health.

What are the impacts for insurers?

Natural disasters cost insurers \$50 billion in the first half of 2023⁹. In France, natural disasters cost insurers a colossal €10 billion in 2022. This was substantially higher than in 2017-2021, when climate phenomena cost an average of €3.5 billion a year¹⁰. Increasing urbanisation and the interconnection of networks are amplifying the consequences of these events, which can affect global economies and endanger the most vulnerable populations. The scale of these weather events could lead to massive property damage and a spike in claims, leading to considerable financial losses.

A further major risk is the emergence of new health crises stemming from increased antibiotic resistance, the spread of tropical viruses, and overcrowding in cities. These crises can cause excess mortality and a significant rise in healthcare costs, placing enormous strain on healthcare systems and their funding, and raising questions as to the solvency of insurers.

Faced with greater uncertainty and higher costs, insurers will have to step up their efforts on prevention and the establishment of public-private partnerships. They will also need to develop their risk and crisis assessment and management models, as well as their pricing arrangements.

What is the outlook for 2030?

According to the Office of the United Nations High Commissioner for Refugees, since 2008, an average of 21.5 million people have been displaced each year as a result of natural disasters. According to World Bank figures, 260 million people will be displaced owing to climate events by 2030, and as many as 1.2 billion by 2050.

By 2030, the insurance sector could be profoundly impacted by the increase in global risks. The extent of the material damage and impacts on populations could increase over time and space. Insurance companies will continue to be called on extensively to cover this damage. Climate change could force millions of people to migrate and undermine health systems and access to care and insurance.

⁷ <https://reseauactionclimat.org/climat-et-sante-des-enjeux-lies/>

⁸ <https://www.greenbiz.com/article/high-time-invest-more-climate-adaption-natural-catastrophes-cost-insurers-50b-first-half>

⁹ <https://www.latribune.fr/entreprises-finance/banques-finance/assurance/10-milliards-d-euros-le-cout-colossal-des-catastrophes-naturelles-en-2022-en-france-949496.html#:~:text=10%20milliards%20d'euros%20%3A%20tel,milliards%20d'euros%20par%20an>

¹⁰ <https://www.lesechos.fr/weekend/planete/migrants-climatiques-ce-tsunami-qui-touche-aussi-leurope-1941788>

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