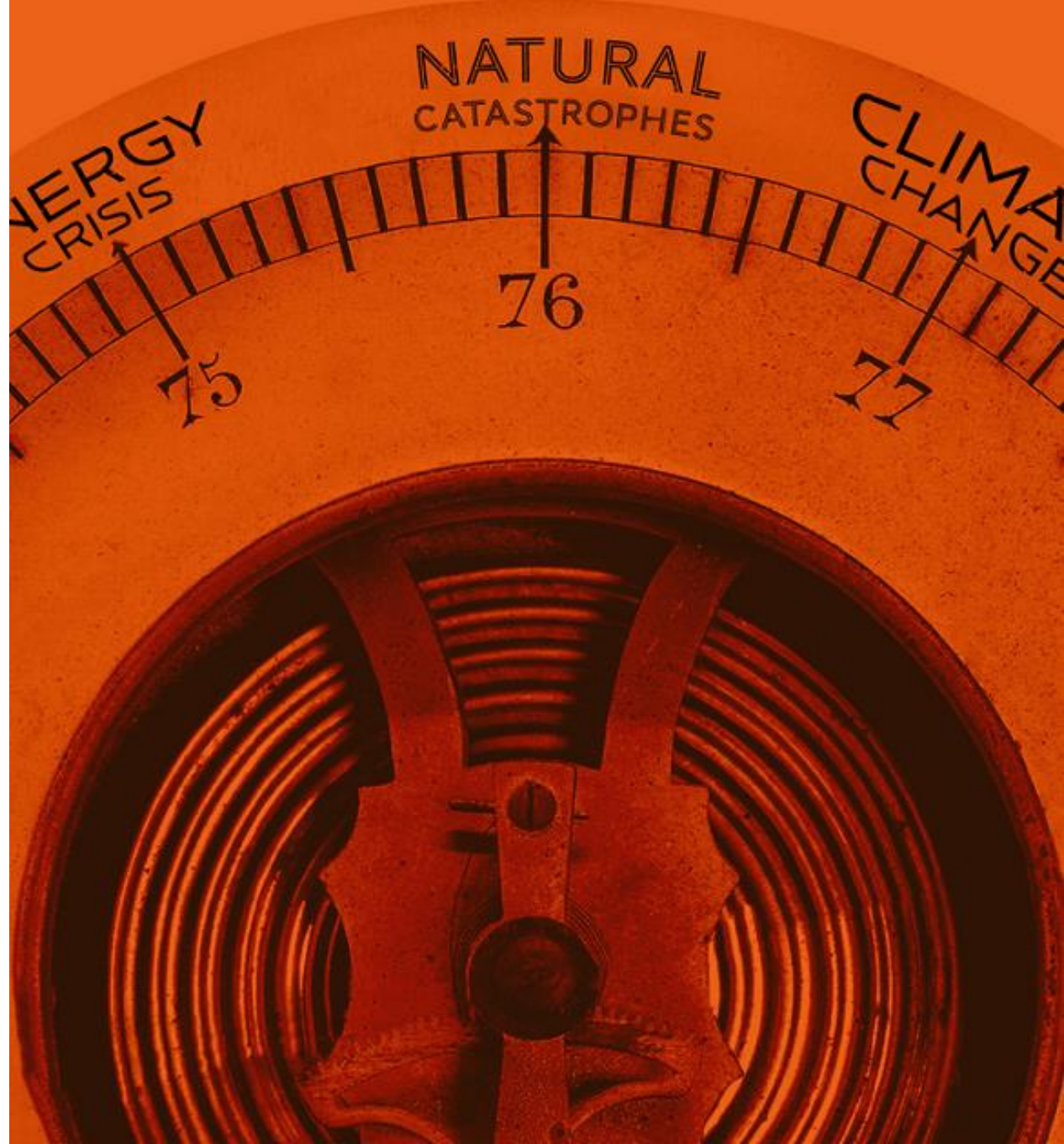




Allianz Risk Barometer 2023

Allianz Global Corporate & Specialty
Virtual media event
January 17, 2023



Our speakers



Shanil Williams

Chief Underwriting Officer Corporate and Board Member, Allianz Global Corporate & Specialty



Ludovic Subran

Chief Economist, Allianz Group



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Agenda

- 1 Methodology and participants
- 2 Top business risks worldwide and in Europe
- 3 Focus: Cyber
- 4 Focus: Business Interruption
- 5 Focus: Macroeconomic Developments
- 6 Focus: Energy Crisis

Methodology and participants

The survey was conducted among **Allianz customers (businesses around the world), brokers and industry trade organizations**, as well as risk consultants, underwriters, senior managers and claims experts in the corporate insurance segment of both **AGCS** and other **Allianz entities**.



12th
edition in
2023



2,712
respondents



94
countries
and territories



23
industry
sectors



19.10 – 18.11.
2022
survey run

The most important business risks in 2023: global

Figures represent how often a risk was selected as a percentage of all survey responses. Respondents: 2,712. Figures don't add up to 100% as up to three risks could be selected.

1 34%		Cyber incidents (e.g. cyber crime, IT failure/outage, data breaches, fines and penalties)	↔ 2022: 44% (1)	6 19%		Natural catastrophes (e.g. storm, flood, earthquake, wildfire, extreme weather events)	↓ 2022: 25% (3)
2 34%		Business interruption (incl. supply chain disruption)	↔ 2022: 42% (2)	7 17%		Climate change (e.g. physical, operational and financial risks as a result of global warming)	↓ 2022: 17% (6)
3 25%		Macroeconomic developments (e.g. inflation, deflation, monetary policies, austerity programs)	↑ 2022: 11% (10)	8 14%		Shortage of skilled workforce	↑ 2022: 13% (9)
4 22%		Energy crisis (e.g. supply shortage/outage, price fluctuations)	NEW	9 14%		Fire, explosion	↓ 2022: 17% (7)
5 19%		Changes in legislation and regulation (e.g. trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)	↔ 2022: 19% (5)	10 13%		Political risks and violence (e.g. political instability, war, terrorism, civil commotion, strikes, riots, looting)	NEW

Selected results highlights

Cyber and business interruption keep the first and second place worldwide respectively, as in 2022.



Energy crisis is a new entry at number four globally, while among European companies it ranks third.

Natural catastrophes and climate change fall in the annual rankings and are now at #6 and #7.



Macroeconomic developments rise significantly from #10 to #3 as inflation and market volatility increase and the fear of a recession and a rise in insolvencies loom.

Political risks and violence is a new entry in the top 10 risks at #10.



Top concerns around the world



Australia

1. Natural catastrophes ↑
2. Business interruption ↓
2. Climate change ↑

Natural catastrophes is the new top risk, driven by events such as flooding which resulted in the country's costliest-ever nat cat in 2022



Brazil

1. Business interruption ↑
2. Cyber ↓
2. Macroeconomic developments ↑

Companies are worried about the increasing number of disruptive scenarios they face



Canada

1. Cyber ↑
2. Shortage of skilled workforce ↑
3. Climate change →

Cyber incidents is the new top risk concern for Canadian companies



China

1. Changes in legislation ↑
2. Business interruption ↓
3. Pandemic ↑

The Covid-19 pandemic dominates the risk agenda following the easing of rules and warnings of a surge in cases



France

1. Cyber ↑
2. Business interruption ↓
3. Energy crisis ↑

Cyber incidents is the new top risk, while impact of the energy crisis is in the top 10 for the first time



Germany

1. Business interruption →
2. Cyber →
3. Energy crisis ↑

Business interruption remains the top risk, while firms are also worried about the energy crisis



India

1. Cyber →
2. Business interruption ↑
3. Changes in legislation ↑

Cyber is the top risk for the sixth year in a row



Italy

1. Cyber →
2. Business interruption →
3. Energy crisis ↑

The impact of the energy crisis moves into the top three risks with a third of responses



Japan

1. Cyber →
2. Natural catastrophes →
3. Business interruption →

Cyber is the top risk for the third year in succession



Nigeria

1. Macroeconomic developments ↑
2. Political risks/violence →
- 3 Cyber ↓

The impact of inflation is the biggest concern for businesses



Singapore

1. Business interruption →
2. Cyber →
3. Fire ↑

Fire is a new top three risk, reflecting the costly impact an incident can have



South Africa

1. Critical infrastructure blackouts ↑
2. Cyber ↓
3. Business interruption ↓

Critical infrastructure blackouts or failures is the top risk for the first time



Spain

1. Cyber ↑
2. Business interruption ↓
3. Fire ↑

Cyber incidents is the new top risk, up from #2 in 2022



Switzerland

1. Cyber →
2. Energy crisis ↑
3. Business interruption ↓

The impact of the energy crisis is a new risk entry and a core concern for firms at #2



UK

1. Cyber →
2. Business interruption →
3. Macroeconomic developments ↑

Impact of inflation is weighing heavily on UK firms after it rose to 10%+ during 2022



USA

1. Business interruption →
2. Cyber →
3. Macroeconomic developments ↑

Macroeconomic risks such as inflation are a new entry in the top 10 risks year-on-year

Similar top risk profile: European economies



Top 10 risks in Germany

Source: Allianz Global Corporate & Specialty

Figures represent how often a risk was selected as a percentage of all responses for that country
Respondents: 384. Figures don't add up to 100% as up to three risks could be selected

Rank		Percent	2022 rank	Trend
1	Business interruption (incl. supply chain disruption)	46%	1 (55%)	→
2	Cyber incidents (e.g. cyber crime, malware/ransomware causing system downtime, data breaches, fines and penalties)	40%	2 (50%)	→
3	Energy crisis (e.g. supply shortage/outage, price fluctuations)	32%	NEW	↑
4	Changes in legislation and regulation (e.g. trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)	23%	5 (19%)	↑
5	Natural catastrophes (e.g. storm, flood, earthquake, wildfire, extreme weather events)	19%	3 (30%)	↓
6	Macroeconomic developments (e.g. inflation, deflation, monetary policies, austerity programs) ¹	17%	10 (10%)	↑
6	Shortage of skilled workforce	17%	NEW	↑
8	Climate change (e.g. physical, operational and financial risks as a result of global warming)	17%	4 (21%)	↓
9	Critical infrastructure blackouts (e.g. power disruption) or failures (e.g. aging dams, bridges, rail tracks) ²	13%	NEW	↑
10	Fire, explosion	13%	6 (19%)	↓



Top 10 risks in The UK

Source: Allianz Global Corporate & Specialty

Figures represent how often a risk was selected as a percentage of all responses for that country
Respondents: 126. Figures don't add up to 100% as up to three risks could be selected

Rank		Percent	2022 rank	Trend
1	Cyber incidents (e.g. cyber crime, malware/ransomware causing system downtime, data breaches, fines and penalties)	40%	1 (50%)	→
2	Business interruption (incl. supply chain disruption)	37%	2 (34%)	→
3	Macroeconomic developments (e.g. inflation, deflation, monetary policies, austerity programs)	34%	NEW	↑
4	Energy crisis (e.g. supply shortage/outage, price fluctuations)	26%	NEW	↑
5	Shortage of skilled workforce	21%	5 (18%)	→
6	Changes in legislation and regulation (e.g. trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)	20%	4 (26%)	↓
7	Climate change (e.g. physical, operational and financial risks as a result of global warming)	15%	3 (31%)	↓
8	Political risks and violence (e.g. political instability, war, terrorism, civil commotion, strikes, riots, looting)	13%	NEW	↑
9	New technologies (e.g. risk impact of artificial intelligence, connected/autonomous vehicles, electric vehicles, nanotechnology, blockchain, 5G)	11%	NEW	↑
10	Fire, explosion	10%	8 (15%)	↓



Top 10 risks in France

Source: Allianz Global Corporate & Specialty

Figures represent how often a risk was selected as a percentage of all responses for that country
Respondents: 97. Figures don't add up to 100% as up to three risks could be selected

Rank		Percent	2022 rank	Trend
1	Cyber incidents (e.g. cyber crime, malware/ransomware causing system downtime, data breaches, fines and penalties)	40%	2 (48%)	↑
2	Business interruption (incl. supply chain disruption)	32%	1 (51%)	↓
3	Energy crisis (e.g. supply shortage/outage, price fluctuations)	28%	NEW	↑
4	Macroeconomic developments (e.g. inflation, deflation, monetary policies, austerity programs)	24%	NEW	↑
5	Natural catastrophes (e.g. storm, flood, earthquake, wildfire, extreme weather events)	23%	3 (28%)	↓
6	Climate change (e.g. physical, operational and financial risks as a result of global warming)	22%	7 (15%)	↑
7	Fire, explosion	20%	4 (23%)	↓
8	Changes in legislation and regulation (e.g. trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)	15%	5 (18%)	↓
8	Market developments (e.g. intensified competition/new entrants, M&A, market stagnation, market fluctuation)	15%	9 (10%)	↑
10	Shortage of skilled workforce	12%	NEW	↑



Top 10 risks in Switzerland

Source: Allianz Global Corporate & Specialty

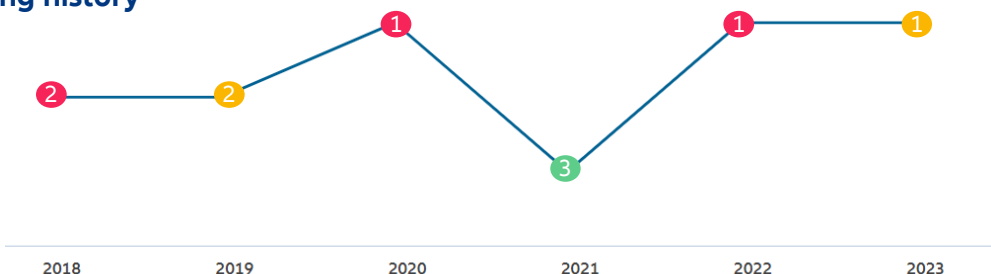
Figures represent how often a risk was selected as a percentage of all responses for that country
Respondents: 56. Figures don't add up to 100% as up to three risks could be selected

Rank		Percent	2022 rank	Trend
1	Cyber incidents (e.g. cyber crime, malware/ransomware causing system downtime, data breaches, fines and penalties)	57%	1 (61%)	→
2	Energy crisis (e.g. supply shortage/outage, price fluctuations)	48%	NEW	↑
3	Business interruption (incl. supply chain disruption)	41%	2 (57%)	↓
4	Political risks and violence (e.g. political instability, war, terrorism, civil commotion, strikes, riots, looting)	20%	NEW	↑
5	Changes in legislation and regulation (e.g. trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)	18%	4 (24%)	↓
5	Natural catastrophes (e.g. storm, flood, earthquake, wildfire, extreme weather events)	18%	NEW	↑
7	Shortage of skilled workforce	16%	7 (12%)	→
8	Macroeconomic developments (e.g. inflation, deflation, monetary policies, austerity programs)	14%	7 (12%)	↓
9	Critical infrastructure blackouts (e.g. power disruption) or failures (e.g. aging dams, bridges, rail tracks)	11%	9 (11%)	→
10	Climate change (e.g. physical, operational and financial risks as a result of global warming)	9%	5 (17%)	↓

Focus: Cyber (#1)

- Top risk for companies around the world – threat in cyber space is higher than ever
- Companies are most concerned about data breaches (53%) and increase in ransomware attacks (50%)
- Conflict in Ukraine and wider geopolitical tensions heighten risk of large-scale attacks by state-sponsored actors
- Frequency of ransomware remains on a high level, with double and triple extortion the new norm
- Average cost of a data breach is at an all time high at \$4.35mn and expected to surpass \$5mn in 2023
- Growing shortage of cyber security professionals complicates defense efforts
- Cyber is cause of business interruption companies fear most – and main loss driver in cyber claims

Ranking history



Focus: Business Interruption (#2)

- Cyber is the cause of business interruption (BI) companies fear most (45%) followed by energy crisis (35%) and natural catastrophes (31%)
- Businesses continue to experience significant supply chain disruption – Covid-19 impact has eased, but war in Ukraine and its economic and political consequences trigger new disruption scenarios; risk of insolvency of suppliers
- 2023 is likely to be another heightened year for BI as companies navigate uncertain economic, political and climate risks as well as long-term transformations, namely digitalization and decarbonization
- Many companies have adjusted their supply chain strategies with local reinvestments or partners in safer geopolitical regions and improved their business continuity planning

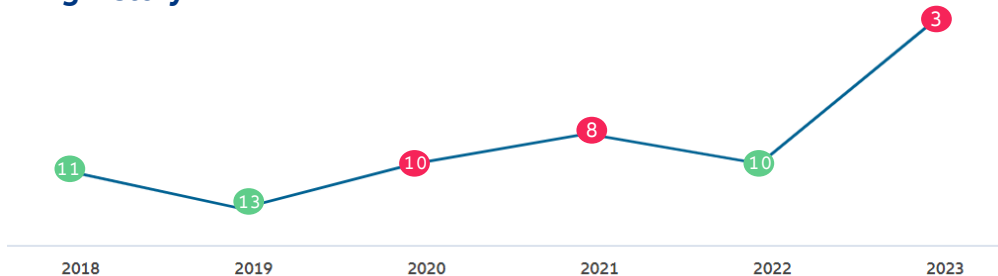
Ranking history



Focus: Macro-economics (#3)

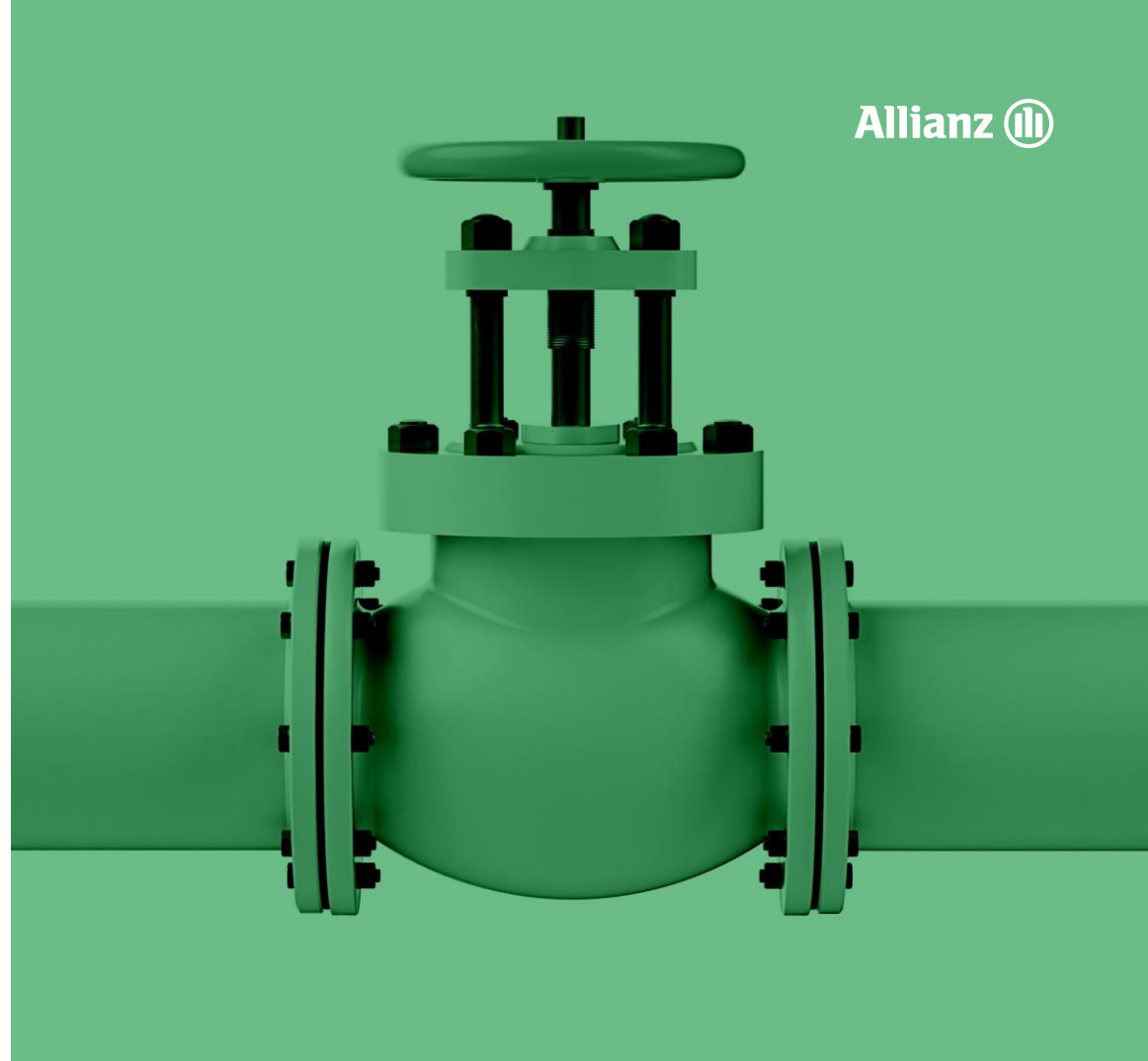
- Economic expectations for 2023 are pessimistic
- The US, China and Europe are all in crisis and face a recession or, in case of China, falling growth, albeit for different reasons
- Unprecedented inflation is eating into price structures and profitability margins of companies
- Energy crisis is largest profitability shock, especially in Europe
- With rising interest rates, financial stability risks and higher volatility are back
- Rebound in business insolvencies in 2023 expected particularly in Europe – with significant rises in France, the UK, Germany and Italy

Ranking history



Focus: Energy Crisis (#4)

- New entrant, top-3 risk in many European countries
- Global energy markets destabilized further in 2022 with the invasion of Ukraine by Russia; drought in Europe affected hydropower capacities and maintenance shut down half of nuclear reactors in France
- A quarter of all energy consumed in the EU came from Russia; situation has slightly eased due to mild winter in Europe, but energy supply remains tense for next winter as renewable growth is lagging behind
- In response to high energy costs, energy-intensive firms are using energy more efficiently, switching to other fuels or considering shutdowns or relocations
- Higher risk of technical failure by reactivating unused redundancy systems or cold-reserve plants; different composition of coal, oil or gas could damage facilities
- Opportunity to fast-forward the green transformation



Thank you!

