

Media Release: Allianz Risk Barometer: Natural catastrophes the top business risk in Hong Kong for 2024

- **Cyber incidents rises to #2 with 26%, and Market developments #3 with 23%**
- **Top risks globally and in Asia are Cyber incidents, Business interruption and Natural catastrophes**
- **Data breaches, attacks on critical infrastructure or physical assets and increased ransomware attacks driving cyber concerns**

Singapore, 16 January 2024 – Natural catastrophes such as storm, flood, and extreme weather events is the top business risk in Hong Kong, according to the **Allianz Risk Barometer**. **Cyber incidents** ranks second, up two spots from last year, and **Market developments** third in the latest compilation of the top global business risks, based on the insights of more than 3,000 risk management professionals.

Globally and in Asia, the top three risks are **Cyber incidents**, **Business interruption** and **Natural catastrophes**. Other major concerns of companies in Asia include **Fire, explosion** (up from #8 to #4) and **Climate change** (remains at #5).

Allianz Commercial CEO Petros Papanikolaou comments on the findings: “The top risks and major risers in this year’s **Allianz Risk Barometer** reflect the big issues facing companies around the world right now – digitalization, climate change and an uncertain geopolitical environment. Many of these risks are already hitting home, with extreme weather, ransomware attacks and regional conflicts expected to test the resilience of supply chains and business models further in 2024. Brokers and customers of insurance companies should be aware and adjust their insurance covers accordingly.”

Large corporates, mid-size, and smaller businesses are united by the same risk concerns – they are all mostly worried about cyber, business interruption and natural catastrophes. However, the resilience gap between large and smaller companies is widening, as risk awareness among larger organizations has grown since the pandemic with a notable drive to upgrade resilience, the report notes. Conversely, smaller businesses often lack the time and resources to identify and effectively prepare for a wider range of risk scenarios and, as a result, take longer to get the business back up and running after an unexpected incident.

Christian Sandric, Managing Director of Allianz Commercial Asia, says, “Cyber incidents, business interruption, and natural catastrophes remain the most significant risks for companies

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in Asia, be it large corporates, mid-size, or smaller businesses. Companies need to navigate an increasingly volatile global business environment, and this reiterates the importance of a strong risk management culture, as well as robust response measures and insurance solutions. For example, companies are increasingly exploring multinational policies that facilitate swift incident response and can help minimize loss and damage, and alternative risk transfer solutions to cover risks that are difficult to insure in the conventional market.”

Top risks in Asia

Cyber incidents (36%) ranks as the most important risk globally and in Asia, where it is the top peril in India and Japan. Asia is seeing an increase in cyberattacks and there have been notable cyber incidents in the region, including a cyberattack on Japan’s space agency, data breach of details of citizens with the Indian Council of Medical Research, and outage suffered by South Korean government-run online services.

Despite an easing of post-pandemic supply chain disruption in 2023, **Business interruption** (35%) remains a significant concern and is the second biggest threat in Asia. The region, in particular South Korea, Japan, and China, plays an important role in the global upstream supply chain in several industries including active pharmaceutical ingredients and electronic vehicles. This result reflects the interconnectedness in an increasingly volatile global business environment, as well as a strong reliance on supply chains for critical products or services.

Natural catastrophes (31%) retains its position as the third biggest threat in the 2024 survey. It was the hottest year since records began, while insured losses exceeded US\$100bn for the fourth consecutive year, driven by the highest ever damage bill of US\$60bn from severe thunderstorms. **Natural catastrophes** ranks the top risk in Malaysia and Thailand, which experienced floods in different parts of 2023, and continues to affect Japan. The New Year’s Day earthquake which hit central Japan caused destruction and triggered mass evacuations and major tsunami warnings, with insured property losses estimated to be between US\$1.8bn and US\$3.3bn.

Top risks in Hong Kong

Patrick Zeng, CEO of Allianz Commercial Hong Kong & Greater China, says, “It is unsurprising that Natural catastrophes is the top risk in Hong Kong due to the severe floods experienced last year. Cyber incidents and Market developments are also major concerns as companies grapple with increased cyberattacks and challenging market conditions. Enhancing business resilience through rigorous risk management and transfer will therefore be vital to ensure companies are protected against major unexpected losses and damages.”

Natural Catastrophes ranks the top risk in Hong Kong and is the top riser in 2024. This follows the severe floods in September 2023 caused by the heaviest rains in Hong Kong since records began in 1884. This was described by the officials as a “once-in-500-years” event, and the total claims for car insurance, property insurance, and business interruptions are likely to surpass US\$395mn.

Rising two spots year-on-year, **Cyber incidents** ranks second in the top risks in Hong Kong and there have been several cyberattacks, notably the hacking into the computer systems of the Consumer Council and Cyberport.

Market developments (23%) such as intensified competition and market fluctuation ranks third in the top risks in Hong Kong, which is experiencing a muted post-pandemic recovery and slowing property market. It is increasingly clear that globally, markets are on the threshold of a new era. The Allianz Risk Barometer identifies three paradigm shifts – the end of comprehensive globalization, the end of cheap labor, and the end of innocent technology – that will continue to worry businesses.

The top 10 business risks in Hong Kong for 2024

Top 10 risks in Hong Kong

Source: Allianz Commercial. Figures represent how often a risk was selected as a percentage of all responses for that territory. Respondents: 66. Figures don't add up to 100% as up to three risks could be selected

Rank		Percent	2023 rank	Trend
1	Natural catastrophes (e.g., storm, flood, earthquake, wildfire, extreme weather events)	33%	6 (16%)	↑
2	Cyber incidents (e.g., cyber crime, IT network and service disruptions, malware / ransomware, data breaches, fines, and penalties)	26%	4 (20%)	↑
3	Market developments (e.g., intensified competition / new entrants, M&A, market stagnation, market fluctuation)	23%	NEW	↑
4	Business interruption (incl. supply chain disruption)	21%	3 (30%)	↓
5	Climate change (e.g., physical, operational, and financial risks as a result of global warming)	20%	6 (16%)	↑
6	Fire, explosion	17%	9 (14%)	↑
7	Political risks and violence (e.g., political instability, war, terrorism, coup d'état, civil commotion, strikes, riots, looting)	15%	6 (16%)	↓
8	Changes in legislation and regulation (e.g., tariffs, economic sanctions, protectionism, Euro-zone disintegration)	14%	2 (32%)	↓
8	Macroeconomic developments (e.g., inflation, deflation, monetary policies, austerity programs)	14%	4 (20%)	↓
8	Shortage of skilled workforce	14%	NEW	↑

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About the Allianz Risk Barometer

The **Allianz Risk Barometer** is an annual business risk ranking compiled by Allianz Group's corporate insurer Allianz Commercial, together with other Allianz entities. It incorporates the views of 3,069 risk management experts in 92 countries and territories including CEOs, risk managers, brokers and insurance experts and is being published for the 13th time.

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