

Media Release: Allianz Risk Barometer: Business interruption, Fire & explosion, and Natural catastrophes are top business risks in South Korea

- **Climate change and Cyber incidents emerge in 4th and 5th place**
- **Top risks in Asia remain Cyber incidents, Business interruption and Natural catastrophes**
- **Data breaches, attacks on critical infrastructure or physical assets and increased ransomware attacks drive cyber concerns**

Singapore, 16 January 2024 – Business interruption and Fire & explosion tie as the top business risks in South Korea according to the **Allianz Risk Barometer** which is based on the insights of more than 3,000 risk management professionals. **Natural catastrophes** such as floods and extreme weather ranks third, up two spots from last year, while **Climate change** and **Cyber incidents** such as ransomware attacks, data breaches, and IT disruptions serve as the 4th and 5th biggest worries for South Korea businesses in 2024 respectively.

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 year-on-year) 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

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 South Korea

Business interruption (#1 with 39%) remains the top risk in South Korea, according to the 2024 Allianz Risk Barometer. Last year, South Korea found itself drawn into the trade conflict between United States and China following the announcement of stricter protocols on graphite exports from China. As graphite is a key raw material for EV batteries which have been flagged as key driver of future growth in the South Korea economy, the export control policy left domestic EV battery makers scrambling to lock in supplies from outside of China.

Fire and explosion (#1 with 39%) climb up the ranks to become a top risk as well in South Korea as the country witnessed several factory explosions, including an explosion at a manufacturing plant in Incheon and another at a thermal power plant in Seocheon.

Natural catastrophes (#3 with 22%) and the related peril of **climate change** (#4 with 19%) continue to be among top five risks domestically. The country was battered by an unusually harsh monsoon season in 2023, with heavy downpours in July causing widespread floods, landslides and power cuts across the country that left 47 killed and 35 others injured, including

14 trapped in a flooded tunnel. Extreme weather events also halted the World Scout Jamboree event, where tens and thousands of international participants were forced to evacuate the campsite and seek shelter from torrential rains and winds brought about by Typhoon Khanun, just days after a heatwave saw hundreds fall ill.

While **Cyber incidents** (#5 with 18%) has slipped two positions down the ranks this year, **Allianz Commercial South Korea CEO and Distribution Director, Chang Tae Noh** believes that the businesses in the nation should avoid complacency that they would be spared from cyber perils. Citing the series of service disruptions e-government systems faced in November 2023 due to a network router failure, he warns of the severity of business interruption-associated losses arising from potential shutdowns of critical infrastructure.

Chang Tae Noh added, "There is an existing gap in the South Korean insurance market when it comes to protection against business interruption. Considering the nature of South Korea's export-oriented economy and how many domestic businesses are dependent on imports of commodities, efforts to identify and mitigate supply chain risks are imperative as restrictions loom over our key industries.

"As extreme weather events and cyber incidents are unfortunately becoming a new normal, supply chain resilience and business continuity plans must be prioritized so that businesses can bolster the impact of such disruptions. The incident at World Scout Jamboree is also a perfect example highlighting the harsh realities of how events and businesses are highly vulnerable to natural perils as well as risks associated with physical, reputational, and financial damages."

The top 10 business risks in South Korea 2024

Top 10 risks in South Korea

Source: Allianz Commercial. Figures represent how often a risk was selected as a percentage of all responses for that country. Respondents: 89. Figures don't add up to 100% as up to three risks could be selected

Rank		Percent	2023 rank	Trend
1	Business interruption (incl. supply chain disruption)	39%	1 (36%)	→
1	Fire, explosion	39%	2 (32%)	↑
3	Natural catastrophes (e.g., storm, flood, earthquake, wildfire, extreme weather events)	22%	5 (22%)	↑
4	Climate change (e.g., physical, operational, and financial risks as a result of global warming)	19%	4 (25%)	→
5	Cyber incidents (e.g., cyber crime, IT network and service disruptions, malware / ransomware, data breaches, fines, and penalties)	18%	3 (29%)	↓
6	Macroeconomic developments (e.g., inflation, deflation, monetary policies, austerity programs)	17%	6 (15%)	→
7	Market developments (e.g., intensified competition / new entrants, M&A, market stagnation, market fluctuation)	16%	10 (10%)	↑
8	Product recall, quality management, serial defects	15%	NEW	↑
9	Changes in legislation and regulation (e.g., tariffs, economic sanctions, protectionism, Euro-zone disintegration)	12%	9 (12%)	→
9	New technologies (e.g., risk impact of artificial intelligence, connected / autonomous vehicles, lithium-ion batteries, electric vehicles, Metaverse)	12%	8 (14%)	↓

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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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