Allianz Risk Barometer 2023

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

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

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Chief Economist, Allianz Group

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

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

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.

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Top concerns around the world

Australia
1. Natural catastrophes
2. Business interruption
3. Climate change

Natural catastrophes are the top concern.

Brazil
1. Business interruption
2. Cyber
3. Macroeconomic developments

Business interruption is the top concern.

Canada
1. Cyber
2. Shortage of skilled workforce
3. Pandemic

Cyber incidents are the top concern.

China
1. Changes in legislation
2. Business interruption
3. Pandemic

The Covid-19 pandemic is the top concern.

France
1. Cyber
2. Business interruption
3. Energy crisis

Cyber incidents are the top concern.

Germany
1. Business interruption
2. Cyber
3. Energy crisis

Cyber incidents are the top concern.

India
1. Cyber
2. Business interruption
3. Energy crisis

Cyber incidents are the top concern.

Italy
1. Cyber
2. Business interruption
3. Energy crisis

Cyber incidents are the top concern.

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

Cyber incidents are the top concern.

Nigeria
1. Macroeconomic developments
2. Political risks/violence
3. Cyber

The impact of inflation is the top concern.

Singapore
1. Business interruption
2. Cyber
3. Fire

Fire is the top concern.

South Africa
1. Critical infrastructure blackouts
2. Cyber
3. Business interruption

Critical infrastructure blackouts are the top concern.

Spain
1. Cyber
2. Business interruption
3. Fire

Cyber incidents are the top concern.

Switzerland
1. Cyber
2. Business interruption
3. Macroeconomic developments

Cyber incidents are the top concern.

UK
1. Business interruption
2. Cyber
3. Macroeconomic developments

Cyber incidents are the top concern.

USA
1. Business interruption
2. Cyber
3. Macroeconomic developments

Cyber incidents are the top concern.
### Similar top risk profile: European economies

#### Top 10 risks in Germany

<table>
<thead>
<tr>
<th>Rank</th>
<th>Risk Description</th>
<th>Percent</th>
<th>2022 Rank</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Business disruption (incl. supply chain disruption)</td>
<td>66%</td>
<td>1 (100%)</td>
<td>↓</td>
</tr>
<tr>
<td>2</td>
<td>Cyber incidents (e.g., cybercrime, malware/ransomware causing system downtime, data breaches, fraud and penalties)</td>
<td>40%</td>
<td>2 (100%)</td>
<td>↓</td>
</tr>
<tr>
<td>3</td>
<td>Energy crisis (e.g., supply shortage/outage, price fluctuations)</td>
<td>32%</td>
<td>NEW</td>
<td>↑</td>
</tr>
<tr>
<td>4</td>
<td>Changes in legislation and regulation (e.g., trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)</td>
<td>23%</td>
<td>5 (70%)</td>
<td>↓</td>
</tr>
<tr>
<td>5</td>
<td>Natural catastrophes (e.g., floods, earthquakes, wildfires, extreme weather events)</td>
<td>19%</td>
<td>3 (100%)</td>
<td>↓</td>
</tr>
<tr>
<td>6</td>
<td>Macroeconomic developments (e.g., inflation, deflation, monetary policies, austerity programs)</td>
<td>17%</td>
<td>10 (100%)</td>
<td>↓</td>
</tr>
<tr>
<td>7</td>
<td>Shortage of skilled workforce</td>
<td>17%</td>
<td>NEW</td>
<td>↑</td>
</tr>
<tr>
<td>8</td>
<td>Climate change (e.g., physical, operational and financial risks as a result of global warming)</td>
<td>17%</td>
<td>4 (25%)</td>
<td>↓</td>
</tr>
<tr>
<td>9</td>
<td>Critical infrastructure blackout (e.g., energy supply)</td>
<td>13%</td>
<td>NEW</td>
<td>↑</td>
</tr>
<tr>
<td>10</td>
<td>Fire, explosion</td>
<td>13%</td>
<td>6 (70%)</td>
<td>↓</td>
</tr>
</tbody>
</table>

#### Top 10 risks in France

<table>
<thead>
<tr>
<th>Rank</th>
<th>Risk Description</th>
<th>Percent</th>
<th>2022 Rank</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cyber incidents (e.g., cybercrime, malware/ransomware causing system downtime, data breaches, fraud and penalties)</td>
<td>40%</td>
<td>1 (100%)</td>
<td>↑</td>
</tr>
<tr>
<td>2</td>
<td>Business disruption (incl. supply chain disruption)</td>
<td>32%</td>
<td>2 (100%)</td>
<td>↓</td>
</tr>
<tr>
<td>3</td>
<td>Energy crisis (e.g., supply shortage/outage, price fluctuations)</td>
<td>28%</td>
<td>NEW</td>
<td>↓</td>
</tr>
<tr>
<td>4</td>
<td>Macroeconomic developments (e.g., inflation, deflation, monetary policies, austerity programs)</td>
<td>24%</td>
<td>NEW</td>
<td>↓</td>
</tr>
<tr>
<td>5</td>
<td>Natural catastrophes (e.g., floods, earthquakes, wildfires, extreme weather events)</td>
<td>23%</td>
<td>3 (28%)</td>
<td>↓</td>
</tr>
<tr>
<td>6</td>
<td>Climate change (e.g., physical, operational and financial risks as a result of global warming)</td>
<td>22%</td>
<td>7 (15%)</td>
<td>↓</td>
</tr>
<tr>
<td>7</td>
<td>Fire, explosion</td>
<td>20%</td>
<td>4 (23%)</td>
<td>↓</td>
</tr>
<tr>
<td>8</td>
<td>Changes in legislation and regulation (e.g., trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)</td>
<td>15%</td>
<td>5 (28%)</td>
<td>↓</td>
</tr>
<tr>
<td>9</td>
<td>Market developments (e.g., intensified competition/new entrants, M&amp;A, market stagnation, market fluctuations)</td>
<td>15%</td>
<td>9 (20%)</td>
<td>↓</td>
</tr>
<tr>
<td>10</td>
<td>Shortage of skilled workforce</td>
<td>12%</td>
<td>NEW</td>
<td>↓</td>
</tr>
</tbody>
</table>

#### Top 10 risks in Switzerland

<table>
<thead>
<tr>
<th>Rank</th>
<th>Risk Description</th>
<th>Percent</th>
<th>2022 Rank</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cyber incidents (e.g., cybercrime, malware/ransomware causing system downtime, data breaches, fraud and penalties)</td>
<td>57%</td>
<td>1 (100%)</td>
<td>↑</td>
</tr>
<tr>
<td>2</td>
<td>Energy crisis (e.g., supply shortage/outage, price fluctuations)</td>
<td>48%</td>
<td>NEW</td>
<td>↓</td>
</tr>
<tr>
<td>3</td>
<td>Business disruption (incl. supply chain disruption)</td>
<td>45%</td>
<td>2 (57%)</td>
<td>↓</td>
</tr>
<tr>
<td>4</td>
<td>Political risks and violence (e.g., political instability, war, terrorism, civil commotion, strikes, riots, looting)</td>
<td>20%</td>
<td>NEW</td>
<td>↓</td>
</tr>
<tr>
<td>5</td>
<td>Changes in legislation and regulation (e.g., trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)</td>
<td>18%</td>
<td>4 (49%)</td>
<td>↓</td>
</tr>
<tr>
<td>6</td>
<td>Natural catastrophes (e.g., storms, floods, earthquakes, wildfires, extreme weather events)</td>
<td>18%</td>
<td>NEW</td>
<td>↓</td>
</tr>
<tr>
<td>7</td>
<td>Shortage of skilled workforce</td>
<td>16%</td>
<td>7 (22%)</td>
<td>↓</td>
</tr>
<tr>
<td>8</td>
<td>Macroeconomic developments (e.g., inflation, deflation, monetary policies, austerity programs)</td>
<td>14%</td>
<td>7 (22%)</td>
<td>↓</td>
</tr>
<tr>
<td>9</td>
<td>Critical infrastructure blackouts (e.g., power disruption) or failures (e.g., aging dams, bridges, rail tracks)</td>
<td>11%</td>
<td>9 (11%)</td>
<td>↓</td>
</tr>
<tr>
<td>10</td>
<td>Climate change (e.g., physical, operational and financial risks as a result of global warming)</td>
<td>9%</td>
<td>8 (27%)</td>
<td>↓</td>
</tr>
</tbody>
</table>
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
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
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!