2023 Allianz Risk Barometer
UK & Nordics webinar

19 January 2023 | 9:30am GMT / 10.30am CET
AGCS Regional Unit London & Nordics
Agenda and speakers

1. Allianz Risk Barometer 2023 headlines

2. UK and Nordic top 10 risks

3. Topic deep dives:
   - Cyber
   - Political risks and violence
   - Energy crisis

4. Questions & Answers

Nadia Côté
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Regional Unit London & Nordics

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Regional Unit London & Nordics

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Head of Global Political Violence & Hostile Environment Solutions

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Global Product Leader:
Energy and Head of Energy & Construction, Regional Unit London & Nordics

Tim McGain
Head of Property,
Regional Unit London & Nordics
ARB 2023 summary
Methodology and participants

The survey was conducted among **Allianz customers (global businesses), 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**
- **23 industry sectors**
- **Oct & Nov 2022 survey run**
### The most important business risks in 2023

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.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Risk Description</th>
<th>2022 Percentage</th>
<th>2023 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Cyber incidents</strong> (e.g. cyber crime, IT failure/outage, data breaches, fines and penalties)</td>
<td>34%</td>
<td>19%</td>
</tr>
<tr>
<td>2</td>
<td><strong>Business interruption</strong> (incl. supply chain disruption)</td>
<td>34%</td>
<td>17%</td>
</tr>
<tr>
<td>3</td>
<td><strong>Macroeconomic developments</strong> (e.g. inflation, deflation, monetary policies, austerity programs)</td>
<td>25%</td>
<td>14%</td>
</tr>
<tr>
<td>4</td>
<td><strong>Energy crisis</strong> (e.g. supply shortage/outage, price fluctuations)</td>
<td>22%</td>
<td>14%</td>
</tr>
<tr>
<td>5</td>
<td><strong>Changes in legislation and regulation</strong> (e.g. trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)</td>
<td>19%</td>
<td>13%</td>
</tr>
<tr>
<td>6</td>
<td><strong>Natural catastrophes</strong> (e.g. storm, flood, earthquake, wildfire, extreme weather events)</td>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>7</td>
<td><strong>Climate change</strong> (e.g. physical, operational and financial risks as a result of global warming)</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>8</td>
<td><strong>Shortage of skilled workforce</strong></td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>9</td>
<td><strong>Fire, explosion</strong></td>
<td>NEW</td>
<td>14%</td>
</tr>
<tr>
<td>10</td>
<td><strong>Political risks and violence</strong> (e.g. political instability, war, terrorism, civil commotion, strikes, riots, looting)</td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
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*Note: Figures don't add up to 100% as up to three risks could be selected.*
The most important regional risks in 2023
Top 10 risks in The UK

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

Source: Allianz Global Corporate & Specialty. Figures represent the number of risks selected as a percentage of all survey responses from 126 respondents. All respondents could select up to three risks per industry, which is why the figures do not add up to 100%.
## Top 10 risks in The Nordics

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<th>Percent</th>
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<th>Trend</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Cyber incidents (e.g. cyber crime, malware/ransomware causing system downtime, data breaches, fines and penalties)</td>
<td>56%</td>
<td>1 (73%)</td>
<td>→</td>
</tr>
<tr>
<td>2</td>
<td>Business interruption (incl. supply chain disruption)</td>
<td>49%</td>
<td>2 (46%)</td>
<td>→</td>
</tr>
<tr>
<td>3</td>
<td>Macroeconomic developments (e.g. inflation, deflation, monetary policies, austerity programs)</td>
<td>25%</td>
<td>NEW</td>
<td>↑</td>
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<td>4</td>
<td>Political risks and violence (e.g. political instability, war, terrorism, civil commotion, strikes, riots, looting)</td>
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<td>5</td>
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<td>21%</td>
<td>NEW</td>
<td>↑</td>
</tr>
<tr>
<td>6</td>
<td>Market developments (e.g. intensified competition/new entrants, M&amp;A, market stagnation, market fluctuation)</td>
<td>14%</td>
<td>7 (13%)</td>
<td>↑</td>
</tr>
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<td>6</td>
<td>Natural catastrophes (e.g. storm, flood, earthquake, wildfire, extreme weather events)</td>
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Source: Allianz Global Corporate & Specialty. Figures represent the number of risks selected as a percentage of all survey responses from 63 respondents. All respondents could select up to three risks per industry, which is why the figures do not add up to 100%. 
Topic deep dives
Focus: Cyber incidents

- #1 business risk in 2023 worldwide (34% of responses) - the second year in a row

- #1 business risk in 2023 in 19 countries

- Cyber insurance claims remain at a high level. Increasingly, we see more small- and mid-size businesses impacted who often tend to underestimate their exposure.
A ransomware pandemic

Source: Allianz Global Corporate & Specialty "Ransomware trends: risks and resilience".

• 623 million ransomware attacks in 2021: double the number in 2020 and a 232% increase since 2019. (SonicWall Threat Intelligence)

• Ransomware forecast to cause $30bn in damages to global organisations by 2023 (Acronis)
Cyber risks implications

Cybersecurity governance and ESG
- Solid cybersecurity governance and controls are key to:
  - Ensure a company is adequately prepared to withstand attacks
  - Ensure strong ESG position

Regulatory exposure and litigation
- Increasing number of strict privacy regulations
- Potential for more cybersecurity requirements legislation
- Class actions in respect of data breaches and network security failures

Nation state-sponsored attacks on the rise
- Ransomware attacks stabilised temporarily due to sanctions
- State-sponsored attacks increasing given the current geopolitical situation
- Risk from politically-motivated hacking groups/hacktivists
Focus: Political risks and violence

- A new entry at #10 globally.
- Much higher ranked in Nordics at 4th (22%) and in the UK at 8th (13%)
- Aside from war, companies are also concerned about increasing disruption from civil unrest as the cost-of-living crisis bites in many countries.

Political Violence
- Terrorism and Sabotage
- Strike, Riots and Civil Commotion & Malicious Damage
- War and Civil War (including Warlike perils)

Additional coverages
- Terrorism liability
- Nuclear Chemical Biological and Radiological Acts
- Active Assailant / Shooter
- Cyber Terrorist (PD BI)
Global trends increasing PVT events

Terrorism:
- Reducing threat of property damage
- Increase in low intensity, high frequency
- Irrational terrorism – focused on loss of life. No end goal

SRCC:
- Huge range of topics are leading to SRCC
- Fuelled by environmental, economic, ethnic/cultural and political factors.
- More frequency and more intensity
- Persistent and long lasting

War and Civil War:
- Divisive politics
- More active states (Russia, China, Saudi Arabia, Iran)
- Proxy wars
- Increasing Cyber capability
Regional rankings and drivers

• Political risks and violence ranked #10 globally
• Much higher ranked in Nordics at #4 (22%) and in the UK at #8 (13%)

UK considerations
• Increased Terrorism threat in Northern Ireland (Brexit) and on the mainland (post covid opening)
• SRCC risk on the rise
• Risk of low level SRCC from Unionised strikes
• War is a concern but currently remote

Nordic considerations
• Russian-Ukraine war
• Recent attack on the Nord Stream
• Cyber dominates Nordic concerns
• SRCC risk driven by cost of living crisis
• Risks of small scale Terrorist attacks driven by Islamist and Far Right ideologies
Focus: Energy crisis

• New entrant in the Allianz Risk Barometer, appearing for the first time at #4 globally (22% of responses)

• Companies are concerned about spiraling fuel costs, supply disruptions, inflation, and the effects of Russia’s invasion of Ukraine

• Likely to remain the largest profitability shock for European countries and companies

• Opportunity to fast-forward the green transformation
Sustainable energy considerations

- Capacity, engineering expertise and underwriting know-how is readily available for ‘traditional’ renewables
- Cover for transport, construction and operation of promising technology in the energy transition, e.g. photovoltaics
- Green hydrogen gathering momentum to boost progress towards net zero targets

Renewable energy loss history mixed

- Renewable energy not automatically profitable
- Complex, untested technology deployed at scale in early phases
- Huge values at stake
- Understanding and partnership is key
Find out more
Resources and materials

Full report, including expert analysis of the top ten risks

Results appendix – featuring industry type and company size risk tables

Other recent publications

Directors and officers (D&O) insurance insights 2023
Global Claims Review
Cyber: The changing threat landscape
Safety and Shipping Review 2022
Global Risk Dialogue (Client magazine)

All available on our website www.agcs.allianz.com
Thank you!