

ALLIANZ GLOBAL CORPORATE & SPECIALTY

Press release: Allianz Risk Barometer 2023: Cyber and business interruption top threats as economic and energy risks rise

- Allianz Global Corporate & Specialty (AGCS) publishes 12th annual survey of key business risks around the world, according to 2,700+ respondents
- Natural catastrophes and Climate change drop down the rankings as companies prioritize pressing macroeconomic concerns – inflation, the energy crisis and possible recession
- Pandemic outbreak plummets down the list of worries as Covid-19 restrictions have largely been removed

Munich – January 17, 2023 (embargoed until 10.30 CET). It is both stability and change in the [Allianz Risk Barometer 2023](#). **Cyber incidents** and **Business interruption** rank as the biggest company concerns for the second year in succession (both with 34% of all responses). However, it is **Macroeconomic developments** such as inflation, financial market volatility and a looming recession (up from #10 to #3 year-on-year), as well as the impact of the **Energy crisis** (a new entry at #4) which are the top risers in this year's list of global business risks, as the economic and political consequences of the world in the aftermath of Covid-19 and the Ukraine war take hold.

Such pressing concerns call for immediate action from companies, explaining why both **Natural catastrophes** (from #3 to #6) and **Climate change** (#6 to #7) drop in the annual rankings, as does **Pandemic outbreak** (from #4 to #13) as vaccines have brought an end to lockdowns and restrictions. **Political risks and violence** is another new entry in the top 10 global risks at #10, while **Shortage of skilled workforce** rises to #8. **Changes in legislation and regulation** remains a key risk at #5, while **Fire/explosion** drops two positions to #9. [View the full global and country risk rankings](#)

The [Allianz Risk Barometer](#) is an annual business risk ranking compiled by Allianz Group's corporate insurer Allianz Global Corporate & Specialty (AGCS), together with other Allianz entities, which incorporates the views of 2,712 risk management experts in 94 countries and territories including CEOs, risk managers, brokers and insurance experts. It is being published for the 12th time.

AGCS' Chief Executive Officer Joachim Mueller comments on the findings: "For the second year in a row the [Allianz Risk Barometer](#) shows that companies are most concerned about mounting cyber risks and business interruption. At the same time, they see inflation, an impending recession and the energy crisis as immediate threats to their business. Companies – in Europe and in the US in particular – worry about

the current ‘permacrisis’ resulting from the consequences of the pandemic and the economic and political impact from ongoing war in Ukraine. It’s a stress test for every company’s resilience.

“The positive news is that as an insurer we see continuous improvement in this area among many of our clients, particularly around making supply chains more failure-proof, improving business continuity planning and strengthening cyber controls. Taking action to build resilience and de-risk is now front and center for companies, given the events of recent years.”

In 2023, the top four risks in the [Allianz Risk Barometer](#) are broadly consistent across all company sizes globally – large, medium and small – as well as across core European economies and the US (energy crisis excepted). Risk concerns for businesses in Asia Pacific and African countries show some deviation, reflecting the different impact of the ongoing war in Ukraine and its economic and political repercussions.

Digital and disruption dangers

Cyber incidents, such as IT outages, ransomware attacks or data breaches, ranks as the most important risk globally for the second year in succession – the first time this has occurred. It also ranks as the top peril in 19 different countries, among them Canada, France, Japan, India and the UK. It is the risk that small companies (<\$250mn annual revenue) are most worried about.

“For many companies the threat in cyber space is still higher than ever and cyber insurance claims remain at a high level. Large companies have become accustomed to being targeted and those with adequate cyber security are able to repel most attacks more effectively. Increasingly, more small- and mid-size businesses are also being impacted. These tend to underestimate their exposure and need to continuously invest in strengthening their cyber control framework,” says [Shanil Williams, AGCS Board Member and Chief Underwriting Officer Corporate](#), responsible for cyber underwriting.

According to the Allianz Cyber Center of Competence, the frequency of ransomware attacks remains elevated in 2023, while the average cost of a data breach is at [an all-time high at \\$4.35mn](#) and expected to surpass \$5mn in 2023. The conflict in Ukraine and wider geopolitical tensions are heightening the risk of a large-scale cyber-attack by state-sponsored actors. In addition, there is also a growing shortage of cyber security professionals, which brings challenges when it comes to improving security.

For businesses in many countries, 2023 is likely to be another year of heightened risks for **Business interruption** (BI) because many business models are vulnerable to sudden shocks and change, which in turn impact profits and revenues. Ranking #2 globally, BI is the number one risk in countries such as Brazil, Germany, Mexico, Netherlands, Singapore, South Korea, Sweden and the US.

The scope of disruptive sources is wide. Cyber is the cause of BI companies fear most (45% of responses); the second most important cause is the energy crisis (35%), followed by natural catastrophes (31%). The skyrocketing cost of energy has forced some energy-intensive industries to use energy more efficiently, move production to alternative locations or even consider temporary shutdowns. The resulting shortages threaten to cause supply disruption across a number of critical industries in Europe, including food, agriculture, chemicals, pharmaceuticals, construction and manufacturing, although warm winter conditions in Europe and stabilization of the price of gas is helping to ease the energy situation.

A possible global recession is another likely source of disruption in 2023, with potential for supplier failure and insolvency, which is a particular concern for companies with single or limited critical suppliers. According to [Allianz Trade](#), global business insolvencies are likely to rise significantly in 2023: +19%.

Macroeconomic malaise

Macroeconomic developments such as inflation or economic and financial market volatility rank as the third top risk for companies globally in 2023 (25%), up from #10 in 2022 – the first time this risk has appeared in the top three for a decade. All three major economic areas – the United States (US), China and Europe – are in a crisis mode at the same time, albeit for different reasons, according to [Allianz Research](#), which forecasts recession in Europe and the US in 2023. Inflation is a particular concern as it is ‘eating’ into the price structure and profitability margins of many companies. Like the real economy, the financial markets are facing a difficult year, as central banks drain excess system-wide liquidity and trading volumes even in historically liquid markets decline.

“2023 will be a challenging year; in purely economic terms, it is likely to be a year to forget for many households and companies. Nevertheless, there is no reason to despair,” says **Ludovic Subran, Chief Economist at Allianz**. “For one thing, the turnaround in interest rates is helping, not least for millions of savers. The medium-term outlook is also much brighter, despite – or rather because of – the energy crisis. The consequences, beyond the expected recession in 2023, are already becoming clear: a forced transformation of the economy in the direction of decarbonization as well as increased risk awareness in all parts of society, strengthening social and economic resilience.”

Risk risers and fallers

The **Energy crisis** is the biggest risk riser in the **Allianz Risk Barometer** appearing for the first time at #4 (22%). Some industries, such as chemicals, fertilizers, glass, and aluminum manufacturing, can be reliant on a single source of energy – Russian gas in the case of many European countries – and are therefore vulnerable to disruption to energy supply or price increases. If such base industries struggle, repercussions can be felt further down the value chain in other sectors. According to [Allianz Trade](#), the energy crisis will remain the largest profitability shock for European countries in particular. At current levels, energy prices would wipe out the profits of most non-financial corporates as pricing power is diminishing amid slowing demand.

Driven by 2022 being another year of turmoil with conflict and civil unrest dominating the news, **Political risks and violence** is a new entry at #10 (13%). Aside from war, companies are also concerned about increasing disruption from strikes, riots and civil commotion activity as the cost-of-living crisis bites in many countries.

Despite dropping in the ranking year-on-year, **Natural catastrophes** (19%) and **Climate change** (17%) remain major concerns for businesses. In a year that included Hurricane Ian, one of the most powerful storms recorded in the US, record-breaking heatwaves, droughts and winter storms around the world, and [\\$100bn+ of insured losses](#), they still rank in the top seven global risks.

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About Allianz Global Corporate & Specialty

Allianz Global Corporate & Specialty (AGCS) is a leading global corporate insurance carrier and a key business unit of Allianz Group. We provide risk consultancy, Property-Casualty insurance solutions and alternative risk transfer for a wide spectrum of commercial, corporate and specialty risks across nine dedicated lines of business and six regional hubs.

Our customers are as diverse as business can be, ranging from Fortune Global 500 companies to small businesses. Among them are not only the world's largest consumer brands, financial institutions, tech companies and the global aviation and shipping industry, but also floating wind farms or Hollywood film productions. They all look to AGCS for smart solutions to, and global programs for, their largest and most complex risks in a dynamic, multinational business environment and trust us to deliver an outstanding claims experience.

Worldwide, AGCS operates with its own teams in more than 30 countries and through the Allianz Group network and partners in over 200 countries and territories, employing around 4,250 people. As one of the largest Property-Casualty units of Allianz Group, we are backed by strong and stable financial ratings. In 2021, AGCS generated a total of €9.5 billion gross premium globally.

For more information please visit our website www.agcs.allianz.com

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