Business interruption and supply chain, natural catastrophes and fire/explosion are the major risks which occupy the attention of companies at the start of 2015, according to the fourth annual Allianz Risk Barometer, which surveys over 500 risk managers and corporate insurance experts from more than 40 countries.

However, businesses are also increasingly concerned about a number of emerging perils from today’s complex global business environment. “The growing interdependency of many industries and processes means businesses are now exposed to an increasing number of disruptive scenarios,” says Chris Fischer Hirs, CEO, AGCS.
Snapshot: Top Business Risks Around The World

This risk map shows the top risk for businesses per geographical region and in selected countries. It also shows the main changes in risk perception across these territories year-on-year.

**Australia**
- 1 BI
  - Loss of reputation or brand value
  - Cyber risks

**China**
- Market stagnation or decline
- Natural catastrophes
- Fire/explosion

**Brazil**
- Cyber risks
- Political/social upheaval, war

**UK**
- Cyber risks
- Loss of reputation or brand value
- Business interruption and supply chain (BI)

**Germany**
- Cyber risks
- Political/social upheaval, war

**France**
- Quality deficiencies and serial defects
- Fire/explosion
- Business interruption and supply chain (BI)

**Russia**
- Market stagnation or decline
- Natural catastrophes
- Fire/explosion

**US**
- Cyber risks
- Talent shortage

**Europe, Middle East and Africa**
- Cyber risks
- Political/social upheaval, war
- Business interruption and supply chain (BI)

**Asia Pacific**
- Cyber risks
- Intensified competition
- Business interruption and supply chain (BI)

**Americas**
- Business interruption and supply chain (BI)
  - Cyber risks
  - Talent shortage

**Source:** Allianz Global Corporate & Specialty

Click here to see the full list of top 10 business risks for each region and for 16 different countries.
Changes in risk perception

Globalization also means businesses are more interconnected than ever before. The number of multinational companies has grown from 7,000 to almost 104,000 over the past 50 years and is expected to reach 140,000 by 2020 causing additional risk complexity. One risk can lead to several others. For example, natural catastrophes and cyber attacks can cause business interruption, not only for one company but to whole sectors or critical infrastructure, such as power suppliers.

Developing global networks also means many companies are increasingly exposed to the prospect of political/social upheaval, war, which is another significant mover in this year’s Risk Barometer. There has been a notable uptick in geo-political tension of late, as has been well documented by events in Russia, Ukraine, the Middle East, Hong Kong and Thailand, for example.

The disruptive impact of such instability – in addition to any direct damage caused – is also one of the major risks for which companies are least prepared. Today, country risk levels change more frequently than in the past, making risk assessment more volatile and, therefore, companies more vulnerable.

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Developing global networks means many businesses are increasingly exposed to the prospect of political upheaval or instability.

Allianz Risk Barometer methodology

The fourth annual Allianz Risk Barometer survey was conducted among both global businesses and risk consultants, underwriters, senior managers and claims experts within both AGCS and local Allianz entities during October and November 2014, with a focus on the corporate insurance sector for both large industrial and mid-sized companies.

There were a record 516 respondents from a total of 47 countries. As multiple answers for up to two industries were possible 709 answers were delivered.

Participants were asked to name industries about which they are particularly knowledgeable and then name up to three risks they believe to be of most importance.

Most answers were for large enterprises (over $600m/€500m revenue) [375 responses 53%]; mid-corp enterprises (€251m to €500m) [118 responses 17%] and mid-sized enterprises (up to €250m revenue) [216 responses 30%].

Click here to view Euler Hermes country risk map

Macroeconomic risks are deemed less important in 2015 compared with last year. Outside of the top 10 risks, concerns about the impact of austerity programs have significantly declined, as have fears over credit availability and Eurozone disintegration.

Click here to see full top business risk rankings

Nevertheless, recent developments such as a 50% drop in the price of oil between June and December last year and the knock-on effect of the turmoil in the Russian financial markets demonstrate new risks continue to emerge. Lower oil prices will be an additional source of political tension through 2015 due to the strain this will place on the budgets of those countries which are heavily dependent on its revenues.

Longer-term, companies face a dual challenge as they can expect further disruption from technological innovations while also being exposed to more volatile environmental conditions. Companies will have to address the business risks, as well as the opportunities, of so-called “disruptive technologies” such as 3D printing and nanotechnology, while also having to deal with climate change impact as an underlying risk which is not within their direct control.

“Individual best practice, along with collaboration across companies, industries and regions can help to mitigate environmental damage and create future safety, growth and innovation in a more sustainable world,” says Axel Theis, Member of the Board of Management, Allianz SE.
Larger loss potential drives business interruption, natural catastrophe and fire concerns

For the third year in succession business interruption (BI) and supply chain risk ranks as the top peril in the Risk Barometer with almost half (46%) of responses rating this as one of the three most important risks for companies, up 3% year-on-year. The impact of natural catastrophes was ranked second overall (30%) while fire/explosion was third (27%).

Given companies can sometimes take years to fully recover from the knock-on effect of a disturbance it is unsurprising this remains the number one concern across the Europe, Middle East and Africa (EMEA), Americas and Asia Pacific regions.

The fact catastrophe and supply chain risks still rank highly on the 2015 Risk Barometer shows companies are reminded of how devastating these extreme events can be on their balance sheet according to Mark Mitchell, Regional CEO, Asia, AGCS.

Although it was four years ago, the fact the Asia Pacific region suffered $294bn in economic losses from natural catastrophes, accounting for 80% of all losses worldwide continues to impact.

"The lessons of the Bangkok floods and Japan tsunami have resulted in growing awareness from businesses of the knock-on effects from BI and supply chain management. Companies now have a greater understanding of the need to monitor risk aggregations, not just geographically, but also in business interruption exposures," says Mitchell.

"Although AGCS has observed many global businesses are rapidly maturing in terms of risk awareness and risk management, there is still room for further improvement and close collaboration between businesses and insurers is needed."

According to responses, overall fire/explosion (43%) is the major cause of BI companies fear most, closely followed by the impact from natural catastrophes (41%). AGCS insurance claims analysis shows fire is the second top cause of loss for businesses overall with the impact of the subsequent disruption often outweighing that of the damage itself. Fire accounted for eight of the 20 largest non-natural catastrophe insurance losses of 2013, collectively equating to almost $4bn.

Source: Allianz Global Corporate & Specialty.
Figures represent a percentage of all eligible responses to the questions (484 in total). More than one risk selected.

1 Global Claims Review, Allianz Global Corporate & Specialty
2 U.N Economic and Social Commission for Asia and the Pacific
More severe BI implications

The greater interconnectivity of the global economy is manifesting itself in increasingly more complex production processes with higher economic values. The end result is more severe BI implications.

For insurers this means potentially larger and more complex losses than in the past. It also means that one event – like a fire at a factory or a flood in one region – will generate many claims from large numbers of companies, who can often be affected by the same loss event.

Insurers are familiar with the potential for large losses in the energy industry where BI claims have been a significant feature for some time. However, they are now beginning to see the potential for similar size claims in certain manufacturing industries such as the semiconductor and automotive industries.

In addition adequate mitigation of contingent business interruption (CBI) – which is when a business is unable to operate because of an event that damages one of its suppliers – and business continuity management remains a gap in many multinational companies’ supply chain risk management programs.

Interdependencies between suppliers is often a big unknown. Many businesses still do not have alternate suppliers.

According to responses natural catastrophes (58%), changes to the political environment (53%) and the impact of globalization including increasingly specialized global suppliers (41%) are the main risks that can lead to supply chain disruption, with these also identified as the top trends that will increase the threat of business interruption in future. However, the increasing impact of digitalization including internet-based supply chain management was identified as an emerging risk in both of these categories.

For businesses it means an increasing need to analyze their production processes accordingly. “Collaboration between different areas of the company – such as purchasing, logistics, product development and finance – is necessary in order to develop robust processes which identify break points in the supply chain. Supply chain performance management analysis can enable early warning systems to be created,” explains Volker Muench, Global Practice Group Leader, AGCS Property Underwriting.

"A detailed risk assessment of their supply chain risks can help businesses identify and plan an effective response that is integrated in their overall business continuity plan,” adds Mitchell.

Risk Barometer Risers and Fallers

The Risers and Fallers chart shows the changes in overall risk perception in the Risk Barometer year-on-year. Concerns over political/social upheaval, war have seen the biggest increase, climbing nine positions to 9th in 2015, up 7%. Conversely, businesses are much less worried about market stagnation this year, which drops two positions to 7th, down 4%. Companies are much worried about the impact of technological innovation (see page 14) long-term than they are short-term.

Non-damage BI events rise

Many of the major causes of BI identified in the Risk Barometer relate to the rising impact of non-physical damage events such as the impact of a product quality incident (24%), a cyber attack (17%), civil unrest (11%), loss of talent 7% and particularly the impact of failure in service delivery by a supplier (35%, ranked 3rd), reflecting the added complexity of BI risks.

"Non-damage BI is becoming a much bigger issue as companies look to protect against a range of exposures, such as strikes, a government authority closing down an area linked to an outbreak of disease, or civil commotion and/or riots," adds Muench. "Questions to Allianz from companies around such issues are increasing.”
Loss of reputation main cost of cyber attack

As the recent hacking attack on Sony Pictures demonstrates, cyber crimes such as malware operations and data breaches now make headlines almost every day. Attacks are increasing, both in number and sophistication. On average the damage caused by a data security incident adds up to $720,000. Damage caused by targeted attacks can even rise to $2.54m.

The increasing risk is reflected in the Risk Barometer with cyber risks continuing its rapid rise in the rankings – gaining five percentage points to move into the top five for the first time (17%). In 2014 it ranked 8th and in 2013 just 15th.

All industries surveyed found cyber risks to be more of a concern than last year. The financial services, manufacturing, power and utilities and engineering sectors were the most influential in ranking cyber risks higher.

Loss of reputation (61%) is the main cause of economic loss followed by business interruption (BI) (49%) and damages paid due to loss of customer data (45%).

The almost automatic blow to a company’s reputation following a cyber attack can have a dramatic impact on balance sheets. According to the Edelman Privacy Risk Index 71% of customers say they would leave an organization after a data breach. Companies must be aware of such potential reputational risks and analyze them, making sure they assign values to the possible scenarios to minimize and assess the residual risk.

Meanwhile, data theft and data manipulation (64%), reputational loss (48%) and increased threat of persistent hacking (44%) are the scenarios businesses fear most.

“However, companies should also not underestimate the ‘human factor,’” adds Jens Krickhahn, Practice Leader Cyber & Fidelity at AGCS Financial Lines Germany & Central Europe. “Employees can cause large IT security or loss of privacy events both inadvertently or deliberately.”

Source: Allianz Global Corporate & Specialty. Figures represent a percentage of all eligible responses to the questions (127 in total). More than one risk selected.
“In addition many businesses’ computer systems are connected via different interfaces or platforms such as “clouds”. Companies need to ask themselves whether their business partners’ systems are as robust as their own, as there have been a number of instances where hacking has occurred,” Krickhahn adds.

Cyber risks “think tank” needed

Although awareness of cyber risks is increasing, the different impacts are still underestimated. This was the top reason given (73%) for why companies are not better prepared to combat cyber risks, followed by budgetary constraints (59%) and a lack of understanding about the inherent complexity such risks bring (54%).

“The identification and evaluation of threat scenarios is not easy,” explains Krickhahn. “Different stakeholders from the business need to share knowledge – IT experts can identify the scenarios, business continuity managers can quantify the duration, and finance the cost. Previously siloed knowledge need to be incorporated in one ‘think tank’, which also includes the set-up of IT, processes and risk transfer. Everything must be closely interlinked.”

Better hardware and software solutions including monitoring tools (75%), better processes (62%) and improving awareness amongst employees (56%) would also help companies to be better prepared for the eventual outcomes, according to the Risk Barometer.

However, improvements in these areas will not result in 100% IT security. Indeed, no such thing exists, according to Christopher Lohmann, CEO of Germany and Central Europe at AGCS.

“Each company has to decide what to do with their residual cyber risks,” he says. “You can avoid some risks, you have to accept some risks, you need to control some risks and other risks need to be transferred. Everything needs to work hand-in-hand to ensure a modern risk management process.”

1 Global Security Report 2013, Trustwave
Political/social upheaval, war is a much bigger concern for businesses in the 2015 Risk Barometer, rising nine positions to 9th overall. A year ago, it fell one position to 18th so the past year has altered risk perception significantly, particularly events in the Ukraine, Russia, the Middle East, Hong Kong and Thailand, which have impacted respondents in multi-industry businesses and the marine and shipping, transportation, aviation and oil and gas sectors in particular.

"Outside of the Russian/Ukraine situation which does not seem to be easing, one source of political tension in 2015 could come from the lower oil prices which are going to put some strains on the budget of countries heavily dependent on oil revenues," says Isabelle Girardet, Global Head of Transactional Cover Unit, at Euler Hermes World Agency, a sister company of AGCS. "In addition the rise of the US dollar is not going to help countries that have contracted debts in this currency.”

"Even the best companies can suffer asset losses because of political risk,” adds Mark Mitchell, Regional CEO, Asia, AGCS. "A number of companies that enter into developing countries have only a very basic understanding of the new environment. It’s important to have an ear to the ground.”

On the issue of political violence and terrorism, according to Christof Bentele, Head, Crisis Management, AGCS, the geo-political situation continues to deteriorate “More and more countries experience political situations which pose a massive challenge for companies’ people and assets,” he says. “Country risk levels change more often and more frequently than they did in the past, which makes risk assessment more volatile and businesses more vulnerable.”

Whether it is war, acts of terrorism or protests, political and social risks are inherently unpredictable. Ongoing war, insurrection, revolution and civil unrest across the Middle East and North Africa continue to pose a significant risk to foreign companies operating in the region.

Geo-political situation continues to deteriorate
Regional Analysis: Talent shortage fears rise, as do product recall concerns

The 2015 Allianz Risk Barometer analyzes responses from a record 47 countries around the world. Although the top three risks business interruption (BI)/supply chain, natural catastrophes and fire/explosion are identical across the Europe, Middle East and Africa (EMEA), Americas and Asia Pacific regions for the third successive year (see charts) there are both differences and further similarities elsewhere.

Cyber risks is the big mover in EMEA’s top 10 risks, climbing from 9th to 5th, driven by increasing concern in Germany (2nd top risk), the UK (3rd top risk) and becoming a new entry in the top 10 risks in markets such as Spain and France for the first time.

Across the Americas region although cyber risks is again the big mover, rising from 8th to 4th position, a combination of shortage of skilled talent, together with an aging workforce is deemed an increasing concern and a new entry in the top 10 risks in the US.

### Top 10 business risks by region in 2015: Europe, Middle East and Africa (EMEA)

<table>
<thead>
<tr>
<th>Top 10 business risks</th>
<th>2014 Rank</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Business interruption and supply chain</td>
<td>44%</td>
<td>39% (1)</td>
</tr>
<tr>
<td>2 Natural catastrophes</td>
<td>28%</td>
<td>29% (2)</td>
</tr>
<tr>
<td>3 Fire/explosion</td>
<td>27%</td>
<td>24% (3)</td>
</tr>
<tr>
<td>4 Changes in legislation and regulation</td>
<td>20%</td>
<td>22% (5)</td>
</tr>
<tr>
<td>5 Cyber crime, IT failures, espionage, data breaches</td>
<td>17%</td>
<td>11% (9)</td>
</tr>
<tr>
<td>6 Market stagnation or decline</td>
<td>17%</td>
<td>22% (4)</td>
</tr>
<tr>
<td>7 Loss of reputation or brand value</td>
<td>15%</td>
<td>14% (7)</td>
</tr>
<tr>
<td>8 Political/social upheaval, war</td>
<td>13%</td>
<td>NEW</td>
</tr>
<tr>
<td>9 Intensified competition</td>
<td>13%</td>
<td>16% (6)</td>
</tr>
<tr>
<td>10 Theft, fraud and corruption</td>
<td>11%</td>
<td>12% (8)</td>
</tr>
</tbody>
</table>

Source: Allianz Global Corporate & Specialty. Figures represent a percentage of all relevant responses. Responses for Europe, Middle East and Africa: 491; Americas 139. More than one risk selected.

### Top 10 business risks by region in 2015: Americas

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1 Business interruption and supply chain</td>
<td>55%</td>
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<td>17%</td>
<td>15% (5)</td>
</tr>
<tr>
<td>6 Loss of reputation or brand value</td>
<td>16%</td>
<td>16% (4)</td>
</tr>
<tr>
<td>7 Talent shortage/aging workforce</td>
<td>10%</td>
<td>9% (9)</td>
</tr>
<tr>
<td>8 Intensified competition</td>
<td>10%</td>
<td>9% (10)</td>
</tr>
<tr>
<td>9 Commodity price increases</td>
<td>9%</td>
<td>NEW</td>
</tr>
<tr>
<td>10 Quality deficiencies, serial defects</td>
<td>8%</td>
<td>NEW</td>
</tr>
</tbody>
</table>

Source: Allianz Global Corporate & Specialty. Figures represent a percentage of all relevant responses. Responses for Europe, Middle East and Africa: 491; Americas 139. More than one risk selected.
Top 10 business risks by region in 2015: Asia Pacific

<table>
<thead>
<tr>
<th>Top 10 business risks</th>
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<th>Trend</th>
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<tbody>
<tr>
<td>1  Business interruption and supply chain</td>
<td>42%</td>
<td>46% (1)</td>
</tr>
<tr>
<td>2  Natural catastrophes</td>
<td>34%</td>
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<td>3  Fire/explosion</td>
<td>25%</td>
<td>25% (3)</td>
</tr>
<tr>
<td>4  Loss of reputation or brand value</td>
<td>23%</td>
<td>21% (5)</td>
</tr>
<tr>
<td>5  Intensified competition</td>
<td>22%</td>
<td>12% (9)</td>
</tr>
<tr>
<td>6  Market stagnation or decline</td>
<td>17%</td>
<td>NEW</td>
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<tr>
<td>7  Market fluctuations (e.g. foreign exchange rates)</td>
<td>14%</td>
<td>13% (8)</td>
</tr>
<tr>
<td>8  Talent shortage/aging workforce</td>
<td>13%</td>
<td>9% (10)</td>
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<tr>
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<td>10%</td>
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</tr>
<tr>
<td>10 Quality deficiencies, serial defects</td>
<td>9%</td>
<td>NEW</td>
</tr>
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</table>

Source: Allianz Global Corporate & Specialty. Figures represent a percentage of all relevant responses. Responses for Asia Pacific 79. More than one risk selected.

Concerns over quality deficiencies and serial defects and commodity price increases are higher year-on-year across the Americas, compared with 2014, replacing theft, fraud and corruption and market stagnation and decline worries in the top 10. However, businesses across the region are still concerned about intensified competition across the board, with this issue judged to be more of a concern than 12 months ago.

Across the Asia Pacific region companies are more concerned about the trading environment than 12 months ago with the prospect of market stagnation or decline a new entry in the top 10 risks. A shortage of skilled talent also remains a concern, with awareness of this risk even more pronounced than a year ago. Competition remains fierce to secure the best talent and poaching is common practice, particularly in the insurance industry.

One concern about poaching is the risk of artificially inflating the cost of talent.

As in the Americas region concerns over quality deficiencies and serial defects are higher year-on-year reflecting the fact a product quality incident is one of the top five causes of business interruption according to risk managers and corporate insurance experts.

Interestingly, the Asia Pacific region is the only region where cyber risks does not appear in the top 10, suggesting many companies are not grasping the full possibility of the risks involved.

For the first time this year the Risk Barometer includes the top 10 risks in the Asia Pacific region’s most powerful economy, China. Fire/explosion was ranked as the top risk, with natural catastrophes 2nd. Market stagnation or decline ranked 3rd.

To see the full appendix of the top 10 risks per country in each region click here.
Industry analysis: Competition worries shipping, regulation concerns financial services

The top three risks in the Risk Barometer differ markedly – by the industry sectors analyzed and compared with 12 months ago (see charts page 12). However, for those businesses whose services cover a "broad range of industries", business interruption (BI) is still the top risk (56%) followed by natural catastrophes (34%). However, cyber risks jumps to third position (30%).

**Engineering and Construction:** The impact of natural catastrophes (42%) remains the top risk for the sector. According to AGCS insurance claims analysis, earthquakes are the top cause of engineering losses by value (65%).

**Manufacturing (including automotive):** BI (68%) remains the top risk with manufacturers even more concerned than 12 months ago (60%), driven by the fact that the potential for large claims in certain sectors such as semiconductor or automotive is increasing. Quality deficiencies and serial defects is a new entry in the top five risks.

**Financial Services:** Changes in legislation and regulation (33%) remains the top concern, reflecting increasing supervisory intervention around the globe. Meanwhile, cyber risks appears in the top five risks for the first time. Prospect of market stagnation or decline is ranked third, another new entry in the top five.

**Power and Utilities:** BI is the number one risk (47%) replacing changes in legislation and regulation. Market stagnation or decline is a rising concern as the third top risk, after not appearing in the top five last year.

**Marine and Shipping:** Intensified competition (29%) is the new top risk after not featuring in the top five last year while market fluctuations is another new entry in 2nd. According to AGCS the increasing cost of large hull (ship) insurance claims in recent years has been fuelled in part by the rising cost of port facilities, labor and materials. Political/social upheaval, war is also a new entry in the top five risks for the sector due to the impact it can have on shipping routes.

**Transportation:** Theft (47%) remains the main concern in the sector with companies still uncertain how to best solve or mitigate this issue due to a number of thefts being unreported. Companies are more concerned about BI and supply chain (37%) and political/social upheaval, war (20%) than a year ago.

Meanwhile, in the **Aviation, Aerospace and Defense** sector terrorism is the number one risk, with companies much more concerned about this threat than last year, driven by events such as the shooting down of the MH17 flight over Ukraine in July last year.

The **Oil and Gas** sector is most concerned about BI and fire risks. According to AGCS the increasing cost of BI claims is linked to the complex and sometimes concentrated supply chains in the sector, while fires are the top cause of losses by value according to insurance claims analysis (65%).

Meanwhile, loss of reputation (55%) is the number one risk in the **food and beverage** sector, the only industry analyzed where this risk appears in the top five risks.

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1. Global Claims Review, Allianz Global Corporate & Specialty
## Top business risks in 2015 by industry

### Engineering / Construction

<table>
<thead>
<tr>
<th>Risk</th>
<th>2014 Rank</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1 Natural catastrophes</td>
<td>42%</td>
<td>40% (1)</td>
</tr>
<tr>
<td>2 Business interruption and supply chain</td>
<td>39%</td>
<td>35% (2)</td>
</tr>
<tr>
<td>3 Fire/explosion</td>
<td>36%</td>
<td>27% (4)</td>
</tr>
<tr>
<td>4 Talent shortage/aging workforce</td>
<td>16%</td>
<td>NEW</td>
</tr>
<tr>
<td>5 Market stagnation or decline</td>
<td>16%</td>
<td>33% (3)</td>
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</table>

### Manufacturing (including automotive)

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<tr>
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<tr>
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<td>2 Fire/explosion</td>
<td>42%</td>
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<tr>
<td>3 Natural catastrophes</td>
<td>41%</td>
<td>42% (2)</td>
</tr>
<tr>
<td>4 Quality deficiencies, serial defects</td>
<td>16%</td>
<td>NEW</td>
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<td>5 Market stagnation or decline</td>
<td>14%</td>
<td>24% (4)</td>
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### Financial Services

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<th>Risk</th>
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<tr>
<td>1 Changes in legislation and regulation</td>
<td>33%</td>
<td>39% (1)</td>
</tr>
<tr>
<td>2 Cyber crime, IT failures, espionage, data breaches</td>
<td>31%</td>
<td>NEW</td>
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<tr>
<td>3 Market stagnation or decline</td>
<td>23%</td>
<td>NEW</td>
</tr>
<tr>
<td>4 Business interruption and supply chain</td>
<td>23%</td>
<td>18% (4)</td>
</tr>
<tr>
<td>5 Market fluctuations (e.g, foreign exchange rates/interest rates)</td>
<td>21%</td>
<td>25% (3)</td>
</tr>
</tbody>
</table>

### Power & Utilities

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1 Business interruption and supply chain</td>
<td>47%</td>
<td>53% (2)</td>
</tr>
<tr>
<td>2 Changes in legislation and regulation</td>
<td>34%</td>
<td>53% (1)</td>
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<tr>
<td>3 Market stagnation or decline</td>
<td>21%</td>
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<td>4 Fire/explosion</td>
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### Marine & Shipping

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<tr>
<th>Risk</th>
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<tbody>
<tr>
<td>1 Intensified competition</td>
<td>29%</td>
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<tr>
<td>2 Market fluctuations (e.g, foreign exchange rates/interest rates)</td>
<td>27%</td>
<td>NEW</td>
</tr>
<tr>
<td>3 Natural catastrophes</td>
<td>27%</td>
<td>38% (1)</td>
</tr>
<tr>
<td>4 Theft, fraud and corruption</td>
<td>27%</td>
<td>24% (2)</td>
</tr>
<tr>
<td>5 Political/social upheaval, war</td>
<td>21%</td>
<td>NEW</td>
</tr>
</tbody>
</table>

### Transportation

<table>
<thead>
<tr>
<th>Risk</th>
<th>2014 Rank</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Theft, fraud, corruption</td>
<td>47%</td>
<td>46% (1)</td>
</tr>
<tr>
<td>2 Natural catastrophes</td>
<td>37%</td>
<td>25% (2)</td>
</tr>
<tr>
<td>3 Business interruption and supply chain</td>
<td>37%</td>
<td>NEW</td>
</tr>
<tr>
<td>4 Political/social upheaval, war</td>
<td>20%</td>
<td>NEW</td>
</tr>
<tr>
<td>5 Fire/explosion</td>
<td>20%</td>
<td>25% (3)</td>
</tr>
</tbody>
</table>

Source: Allianz Global Corporate & Specialty.
Figures represent the number of responses as a percentage of all responses (between 30 and 90 responses per industry). More than one risk selected.
Future risks: Climate change dominates long-term risk agenda

For the first time, the 2015 Risk Barometer also examines the emerging risk environment for businesses over the short- and long-term future.

Technology, economic growth, climate change and political and societal change are already impacting businesses’ risk management in a number of different ways and will do so further in future.

While many of the risks contained in the top rankings (see charts, page 14) for the short- and long-term outlook are already priority concerns, issues such as climate and environmental concerns and worries about the impact of technological innovation become much more of a risk management priority long-term.

Preliminary insured losses from natural catastrophes may have declined year-on-year in 2014 at $29bn compared with $37bn a year earlier, but there is little doubt natural catastrophes are having much greater financial impact over the long-term, as values at risk have increased significantly.

Insured losses from weather events alone as a proportion of global GDP increased by 327% between 1974-1983 and 2004-2013. If natural catastrophe risk management procedures are not in place or have not been regularly reviewed the magnitude of such losses can increase significantly.

"Weather is becoming more volatile and less predictable at a time when cities and populations are growing in areas exposed to natural catastrophes," according to Michael Bruch, Head of Emerging Trends, AGCS.

And this trend could accelerate further with climate change, which is ranked as the number one long-term emerging risk for businesses in the Risk Barometer. Business concerns about the impact of the changing climate have also increased significantly year-on-year with climate change doubling its share to 6%, climbing eight places to 15th in the 2015 Risk Barometer.

According to the IPCC, the last three consecutive decades have been the warmest worldwide since records began in 1850. Additionally, the sea level has risen by 3.2 mm every year for the past 20 years.

Without additional climate protection measures, average global temperatures are expected to increase by over 2°C this century, and sea levels could rise by a further 20-60 cm – with dangerous consequences for both populations and the environment.

"Climate change is moving coastlines, affecting rainfall patterns and storm frequencies and is expected to increase the exposure of cities to floods, windstorms and heatwaves," adds Bruch. Companies will have to deal with the impact of climate change as an underlying risk which is not within our direct control.

However, individual best practice, along with collaboration across companies, industries and regions can help to mitigate environmental damage and create future safety, growth and innovation in a more sustainable world.
Technological innovation to cause further disruption

Technological innovation appears in the top five long-term risks facing businesses, ranking 4th, the only time this appears in a top five of all risks analyzed.

“Faster trains, taller skyscrapers, long-span bridges, ships in ever-larger dimensions or highly automated factories – we are moving into new technological dimensions in almost every industry,” says Michael Bruch, Head of Emerging Trends, AGCS.

The challenges of delivering goods and services on an increasing scale triggers the need for innovative, sometimes even “disruptive technologies”, so-called because such innovations help to create a new market and value network, eventually “disrupting” the old one.

New technologies such as 3D printing and nanotechnology are just two examples of disruptive technologies.

“While these technologies undoubtedly bring new opportunities, they also entail new risks,” says Bruch. “Technology is pushing our systems to new limits. Safety margins are shrinking as developments in safety and human behavior are often not aligned with technological advances.

“Negative effects of failure are further multiplied as interconnectivity is expanding along with global supply chains, digital logistics and automation.

“A collaborative approach will strongly contribute to safety. The insurance industry can support this process by not only providing financial assurance for risks, but also by sharing its risk engineering and risk management expertise to avoid losses from occurring in the first place,” concludes Bruch.

What are the top risks for the next five years?

- Cyber risks: 37%
- Political/social upheaval, war: 21%
- Natural catastrophes: 19%
- Terrorism: 15%
- Business interruption and supply chain: 11%

What are the top risks for the long term future (5-10 years +)

- Climate change: 37%
- Natural catastrophes: 19%
- Political/social upheaval, war: 18%
- Technological innovation: 17%
- Cyber risks: 15%

Source: Allianz Global Corporate & Specialty.
Figures represent a percentage of all eligible responses to the questions (280 and 225 responses in total). More than one risk selected.

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