

# Top 10 Global Business Risks for 2016

**Business interruption  
(incl. supply chain disruption)**



**38%** ◀ 2015: 46% (1)

**Macroeconomic developments  
(austerity programs, commodity price increase, inflation/deflation)\***



**22%** ▲ NEW

**Market developments  
(volatility, intensified competition, market stagnation)\***



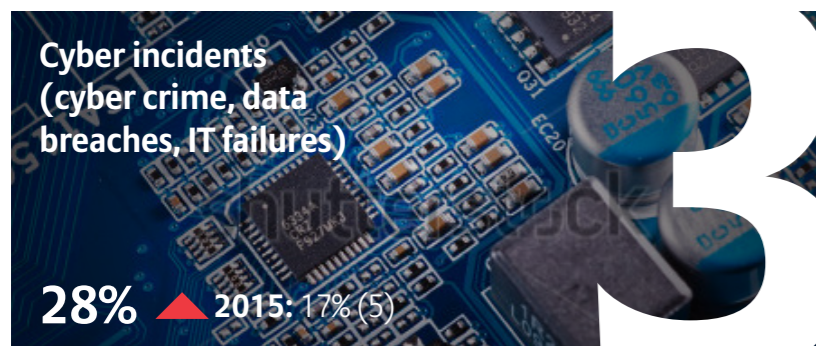
**34%** ▲ NEW

**Loss of reputation or brand value**



**18%** ▼ 2015: 16% (6)

**Cyber incidents  
(cyber crime, data breaches, IT failures)**



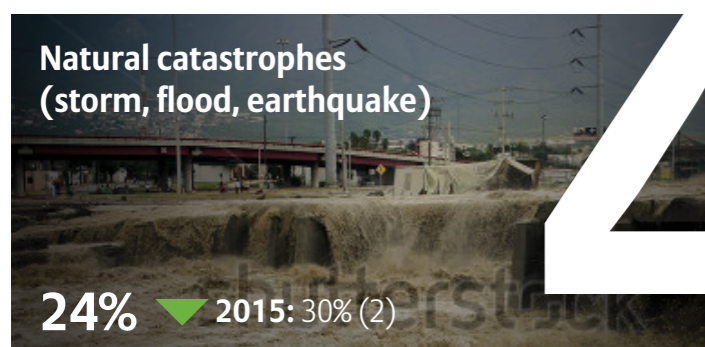
**28%** ▲ 2015: 17% (5)

**Fire, explosion**



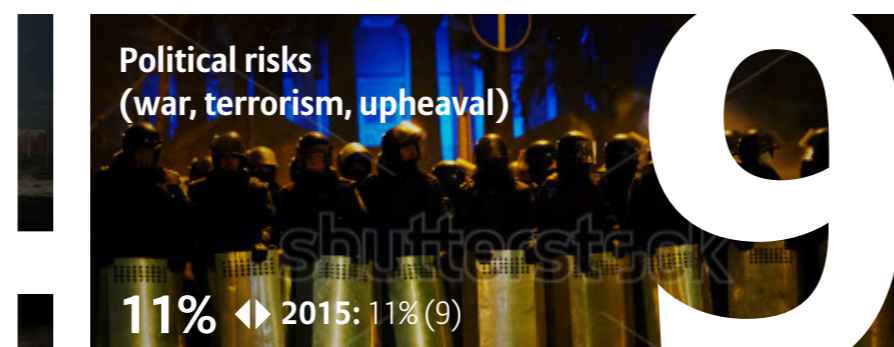
**16%** ▼ 2015: 27% (3)

**Natural catastrophes  
(storm, flood, earthquake)**



**24%** ▼ 2015: 30% (2)

**Political risks  
(war, terrorism, upheaval)**



**11%** ◀ 2015: 11% (9)

**Changes in legislation and regulation  
(economic sanctions, protectionism)**



**24%** ▼ 2015: 18% (4)

**Theft, fraud and corruption**



**11%** ◀ 2015: 9% (10)

Allianz Risk Pulse

# Allianz Risk Barometer Top Business Risks 2016

## Executive Summary

The fifth annual Allianz Risk Barometer identifies the top corporate perils for 2016 and beyond, based on the responses of more than 800 risk experts from 40+ countries around the globe.

Business interruption (incl. supply chain disruption), market developments (market volatility, intensified competition and market stagnation) and cyber incidents are the top three global business risks. Business interruption (BI) is top for the fourth year in succession. [▶ page 3](#)

The risk landscape is changing. Businesses face a wider range of disruptive forces in 2016 and beyond. The effects of globalization, digitalization and technological disruption pose fundamental challenges to many business models. [▶ page 4](#)

Businesses and insurers must review their insurance and risk mitigation needs to reflect this new risk management reality. Refining existing, and developing new, risk services will be necessary. [▶ page 4](#)

Interconnectivity of risk continues to grow. Many of the top 10 risks such as natural catastrophes, fire, explosion, cyber incidents and political risks can have severe BI implications. Businesses are increasingly concerned about the impact political instability can have on supply chains. [▶ page 5](#)

Market developments is the second top risk. Many industrial sectors are facing tougher operating conditions, including competition from new areas. [▶ page 7](#)

Businesses are more concerned about cyber incidents, which is the top long-term risk and the peril most likely to increase the threat of BI. Hackers are not the only problem. Operational technology issues also result in major system interruptions. [▶ page 10](#)

Digital and technological innovations and transformations, such as Industry 4.0, bring new risks in addition to benefits. Increasing sophistication of cyber-attacks is the impact of increasing digitalization businesses fear most. Many companies have insufficient knowledge and budget to mitigate this risk, as the threat continues to evolve. [▶ page 12](#)

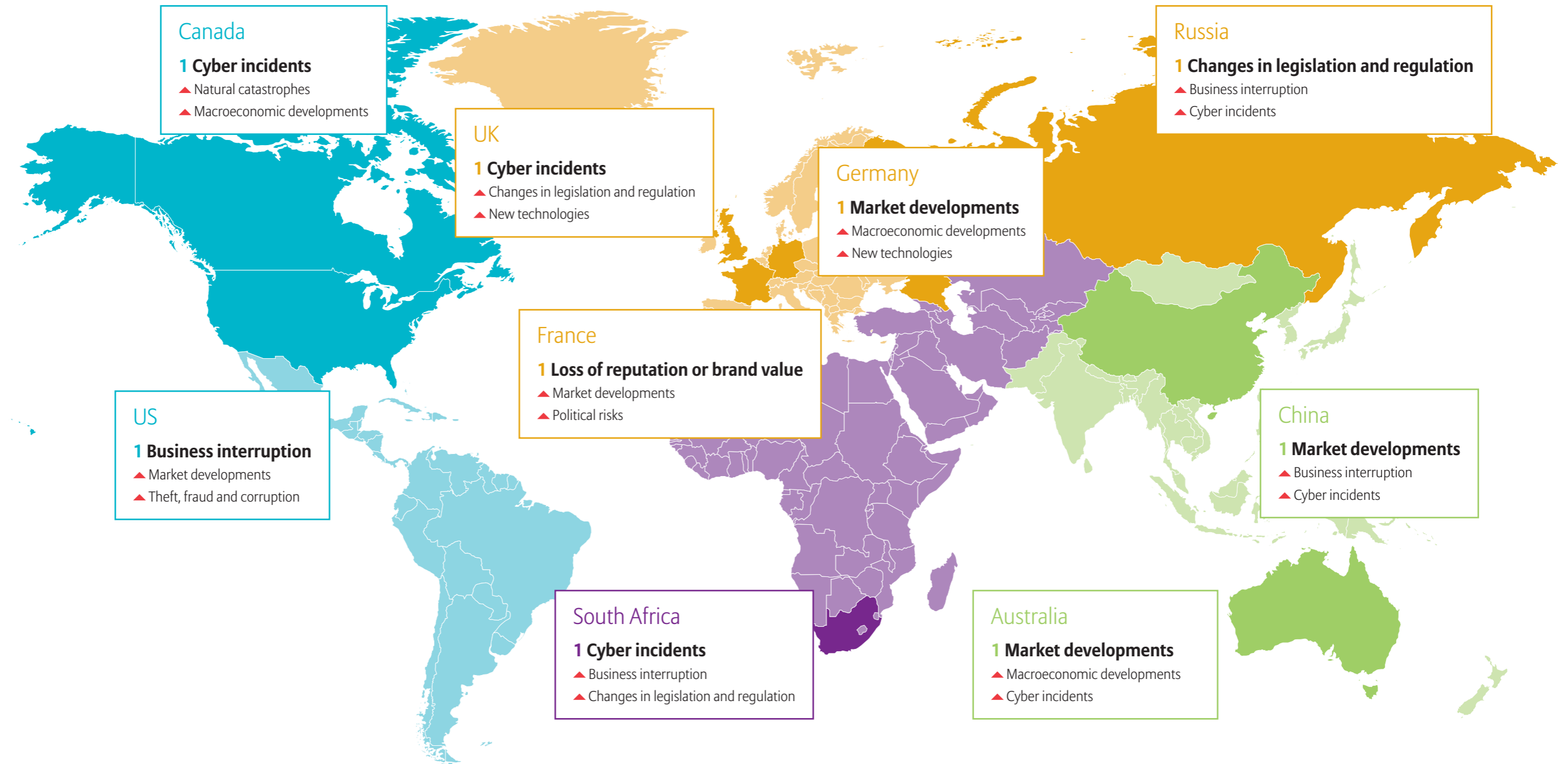
There are significant differences in the top 10 risks around the world. Macroeconomic developments tops the Africa & Middle East rankings. Cyber incidents is number one in the UK. [▶ page 14](#)



# Snapshot: Top Business Risks Around The World

[Click here to see the full list of top 10 business risks for each region and for 16 different countries](#)

[Click here to see the 2015 Snapshot: Top Business Risks Around The World](#)



**Canada**  
**1 Cyber incidents**  
▲ Natural catastrophes  
▲ Macroeconomic developments

**Russia**  
**1 Changes in legislation and regulation**  
▲ Business interruption  
▲ Cyber incidents

**UK**  
**1 Cyber incidents**  
▲ Changes in legislation and regulation  
▲ New technologies

**Germany**  
**1 Market developments**  
▲ Macroeconomic developments  
▲ New technologies

**France**  
**1 Loss of reputation or brand value**  
▲ Market developments  
▲ Political risks

**US**  
**1 Business interruption**  
▲ Market developments  
▲ Theft, fraud and corruption

**China**  
**1 Market developments**  
▲ Business interruption  
▲ Cyber incidents

**South Africa**  
**1 Cyber incidents**  
▲ Business interruption  
▲ Changes in legislation and regulation

**Australia**  
**1 Market developments**  
▲ Macroeconomic developments  
▲ Cyber incidents

**Americas**  
**1 Business interruption**  
▲ Cyber incidents  
▲ Theft, fraud and corruption

**Europe**  
**1 Business interruption**  
▲ Market developments  
▲ Cyber incidents

**Africa & Middle East**  
**1 Macroeconomic developments**  
▲ Market developments  
▲ Natural catastrophes

**Asia Pacific**  
**1 Business interruption**  
▲ Market developments  
▲ Cyber incidents

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.

Source: Allianz Global Corporate & Specialty

## Response findings: Changes in risk perception

### Industry 4.0

Also known as the fourth industrial revolution, it's a term referring to the digital transformation of industry, in particular the global manufacturing sector and the merging of virtual and physical worlds.

The impact of **business interruption (incl. supply chain disruption)**, **market developments (market volatility, intensified competition and market stagnation)** and **cyber incidents** are the major risks occupying the attention of companies at the start of 2016, according to the fifth annual **Allianz Risk Barometer**, which surveys over 800 risk managers and corporate insurance experts from more than 40 countries.

Business interruption (BI) remains the top peril for the fourth year in succession, with 38% of responses rating this as one of the three most important risks companies face. In today's increasingly complex and interconnected corporate environment many of the top 10 global business perils in the 2016 Risk Barometer

rankings, such as cyber-incidents and political risks, for example can also have severe BI implications.

However, businesses appear less concerned about the impact of traditional industrial risks such as **natural catastrophes (storm, flood, earthquake) and fire, explosion** compared with previous years, according to responses. These perils are two of the biggest fallers in the 2016 rankings. Natural catastrophes drops two positions to fourth year-on-year, down six percentage points, reflecting the fact that insurance claims from natural disasters fell to \$27bn during 2015 - the lowest level since 2009 - according to reinsurer Munich Re. Fire, explosion drops further, falling from third in 2015 to eighth in 2016, down 11 percentage points.

### Allianz Risk Barometer methodology\*

The fifth 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 2015, with a focus on the corporate insurance sector for both large and small to mid-sized industrial companies.

There were a record **824** respondents from a total of **44 countries**. As multiple answers for up to two industries were possible **1,146** 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 **€500m/\$540m** revenue) [**674 responses 59%**] next to small and mid-size enterprises (up to **€500m** revenue) [**472 responses 41%**].

[View the 2015 Risk Barometer rankings here](#) ➔

### Rising risk priorities

The 2016 Risk Barometer results show businesses are more concerned about a number of operational issues which are placing increasing pressure on their markets and challenging business models.

Intensified competition, particularly from non-traditional competitors and agile start-ups, is one of the drivers behind market developments appearing in the top three risks for the first time, ranking second with 34% of responses\*.

Impact of increasing digitalization and technological innovation is also anticipated to have more of an impact on businesses in future, according to responses.

Integration of interconnected digital and physical technology, such as 3D printing, nanotechnology, driverless cars and "smart" cities and factories, for example, is predicted to deliver many benefits including increasing efficiency and service levels, greener technology and reduced maintenance. However, such benefits are also accompanied by a number of potential new operational, security and strategic risks for businesses (see page 12).

Entering the top three business risks for the first time in third position with 28% of responses, meaning it ranks as a greater concern for businesses than natural catastrophes, **cyber incidents (cyber-crime, data**

\*In the 2015 Allianz Risk Barometer the risks listed as market developments were ranked separately, not as one collective peril

\*\*In the 2015 Allianz Risk Barometer the risks listed as macroeconomic developments were ranked separately, not as one collective peril.

## Market and macro factors shape risk agenda

The biggest contraction in global trade since the financial crisis, the BRICs hitting a wall and a subdued knock-on-effect from the drop in commodity prices help ensure market and macro developments rank highly in this year's Risk Barometer, says Ludovic Subran, Chief Economist at trade credit insurer Euler Hermes, a sister company of AGCS.

China, Russia, Brazil, South Africa, Turkey and Nigeria are among those countries which have been negatively affected by cheaper commodity prices. "However, it is fascinating to see that, in many cases, the decline in oil and gas, iron ore and steel prices has stressed the supply chain more than it has benefited it," says Subran. "Sectors that you would expect to benefit from such a development, such as construction for example, have not done as well as anticipated. Cost structures may have been relieved but demand has not always picked up.

"With regards to many of the macro factors that unfolded through 2015, it seems that the negatives accumulated at a rate that exceeded the positives – a case of 'one step forwards, two steps back' – and this was something that made companies extremely nervous during H2."

[View Euler Hermes' economic research](#) 

**breaches, IT failures)** is the significant mover in this year's rankings, up 11 percentage points. It is also the top future risk, according to responses (*see page 13*), while the increasing sophistication of cyber-attacks is the impact of digitalization companies fear most (*see page 12*).

**New technologies (impact of increasing interconnectivity and innovation)** is also one of the biggest risers in the rankings year-on-year. In 2015 it ranked 19th with just 3% of responses. In 2016, it ranks 11th with 10% of responses.

**Macroeconomic developments (austerity programs, commodity price increase, inflation/deflation)** also appears in the top 10 global risks for the first time in sixth position\*, driven in part by the fact it is the top risk in the Africa & Middle East region (*see page 14*). **Political risks (war, terrorism, upheaval)** remains a priority concern for businesses, maintaining ninth position. According to 54% of responses, multinational businesses are most concerned about the disruptive impact any instability or incident can have on their supply chains, followed by the impact of an act of terrorism (38%) and the introduction of sanctions (34%).

"Businesses need to prepare for a wider range of disruptive forces in 2016 and beyond," says Axel Theis, Member of the Board of Management, Allianz SE. "In addition to the many traditional industrial risks companies already face, the world is becoming increasingly competitive as market entry barriers come down. The increasing impact of the combination of globalization, digitalization and technological innovation poses fundamental challenges to many businesses and business models."

"The risk landscape is changing," says Chris Fischer Hirs, CEO, AGCS. "Digital innovations and transformations, such as **Industry 4.0**, and the ever-growing network of interconnected devices, people and machines are transforming industry and bringing a wealth of opportunities. However, such changes also present significant risk challenges.

"Businesses and insurers will have to review their insurance and risk mitigation needs to reflect this new risk management reality. Refining existing and developing new, risk services will be necessary in future. At AGCS we are engaging with our clients to benefit from and shape this revolution together."

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