

Press release

Allianz Risk Barometer 2021: Covid-19 trio tops global business risks

- 10th Allianz survey: Business interruption, Pandemic outbreak and Cyber incidents are the top three business risks for 2021 – all strongly interlinked.
- Pandemic outbreak rockets to #2 from #17 and is seen as main cause of business interruption in 2021, followed by cyber. Companies look to de-risk supply chains and boost business continuity management for extreme events.
- **Market developments** (#4), **macroeconomic developments** (#8) and **political violence** (#10) all rising risks. Socioeconomic consequences of the pandemic will bring more insolvencies and likely fuel further civil unrest in 2021. **Climate change** falls to #9 but will be back on the board agenda as a priority in 2021.

Johannesburg/London/Munich/New York/Paris/Sao Paulo/Singapore – January 19, 2021: A trio of Covid-19 related risks heads up the 10th [Allianz Risk Barometer 2021](#), reflecting potential disruption and loss scenarios companies are facing in the wake of the coronavirus pandemic. **Business interruption** (#1 with 41% responses) and **Pandemic outbreak** (#2 with 40%) are this year's top business risks with **Cyber incidents** (#3 with 40%) ranking a close third. The annual survey on [global business risks](#) from Allianz Global Corporate & Specialty (AGCS) incorporates the views of 2,769 experts in 92 countries and territories, including CEOs, risk managers, brokers and insurance experts.

“The Allianz Risk Barometer 2021 is clearly dominated by the Covid-19 trio of risks. Business interruption, pandemic and cyber are strongly interlinked, demonstrating the growing vulnerabilities of our highly globalized and connected world,” says Joachim Müller, CEO of AGCS. “The coronavirus pandemic is a reminder that risk management and business continuity management need to further evolve in order to help businesses prepare for, and survive, extreme events. While the pandemic continues to have a firm grip on countries around the world, we also have to ready ourselves for more frequent extreme scenarios, such as a global-scale cloud outage or cyber-attack, natural disasters driven by climate change or even another disease outbreak.”

The Covid-19 crisis continues to represent an immediate threat to both individual safety and businesses, reflecting why pandemic outbreak has rocketed 15 positions up to #2 in the rankings at the expense of other risks. Prior to 2021, it had never finished higher than #16 in 10 years of the Allianz Risk Barometer, a clearly underestimated risk. However, in 2021, it's the number one risk in 16 countries and among the three biggest risks across all continents and in 35 out of the 38 countries which qualify for a top 10 risks analysis. Japan, South Korea and Ghana are the only exceptions.

Market developments (#4 with 19%) also climbs up the Allianz Risk Barometer 2021, reflecting the risk of rising insolvency rates following the pandemic. According to Euler Hermes, the bulk of insolvencies will come in 2021. The trade credit insurer's global insolvency index is expected to hit a record high for bankruptcies, up 35% by the end of 2021, with top increases expected in the US, Brazil, China and core European countries. Further, Covid-19 will likely spark a period of innovation and market disruption, accelerating the adoption of technology, hastening the demise of incumbents and traditional sectors and giving rise to new competitors. Other risers include **Macroeconomic developments** (#8 with 13%) and **Political risks and violence** (#10 with 11%) which are, in large part, a consequence of the coronavirus outbreak, too. Fallers in this year's survey include **Changes in legislation and regulation** (#5 with 19%), **Natural catastrophes** (#6 with 17%), **Fire/explosion** (#7 with 16%), and **Climate change** (#9 with 13%), all clearly superseded by pandemic concerns.

Pandemic drives disruption – now and in future

Prior to the Covid-19 outbreak, **Business interruption** (BI) had already finished at the top of the Allianz Risk Barometer seven times and it returns to the top spot after being replaced by cyber incidents in 2020. The pandemic shows that extreme global-scale BI events are not just theoretical, but a real possibility, causing loss of revenues and disruption to production, operations and supply chains. 59% of respondents highlight the pandemic as the main cause of BI in 2021, followed by **Cyber incidents** (46%) and **Natural catastrophes** and **Fire and explosion** (around 30% each).

The pandemic is adding to the growing list of non-physical damage BI scenarios such as cyber or power blackouts. "The consequences of the pandemic – wider digitalization, more remote working and the growing reliance on technology of businesses and societies – will likely heighten BI risks in coming years," explains Philip Beblo, expert in AGCS's global Property underwriting team. "However, traditional physical risks will not disappear and must remain on the risk management agenda. Natural catastrophes, extreme weather or fire remain the main causes of BI for many industries and we continue to see a trend for larger losses over time."

In response to heightened BI vulnerabilities, many companies are aiming to build more resilient operations and to de-risk their supply chains. According to Allianz Risk Barometer respondents, improving business continuity management is the main action companies are taking (62%), followed by developing alternative or multiple suppliers (45%), investing in digital supply chains (32%) and improved supplier selection and auditing (31%). According to AGCS experts, many companies found their plans were quickly overwhelmed by the pace of the pandemic. Business continuity planning needs to become more holistic, cross-functional, and dynamic, monitor and measure emerging or extreme loss scenarios, be constantly updated and tested and embedded into an organization's strategy.

Cyber perils intensify

Cyber incidents may have slipped to #3 but it remains a key peril with more respondents than in 2020 and still ranking as a top three risk in many countries, including Brazil, France, Germany, India, Italy, Japan, South Africa, Spain, UK and the US. The acceleration towards greater digitalization and remote working driven by the pandemic is also further intensifying IT vulnerabilities. At the peak of the first wave of lockdowns in April 2020, the FBI reported a 300% increase in incidents alone, while cyber crime is now estimated to cost the global economy [over \\$1trn](#), up 50% from two years ago. Already high in frequency, ransomware

incidents are becoming more damaging, increasingly targeting large companies with sophisticated attacks and hefty extortion demands, as highlighted in the recent AGCS [cyber risk trends report](#).

“Covid-19 has shown how quickly cybercriminals are able to adapt and the digitalization surge driven by the pandemic has created opportunities for intrusions with new cyber loss scenarios constantly emerging,” says Catharina Richter, Global Head of the Allianz Cyber Center of Competence at AGCS. “Attackers are innovating using automated scanning to identify security gaps, attacking poorly secured routers or even using ‘deepfakes’ – realistic media content modified or falsified by artificial intelligence. At the same time, data protection and privacy regulation and fines for data breaches continue their upward trend.”

Risers and fallers

Macroeconomic developments is up to #8 and **Political risks and violence** (#10) returns to the top 10 for the first time since 2018, reflecting the fact that civil unrest, protests and riots now challenge terrorism as the main exposure for companies. The number, scale and duration of many recent events, including Black Lives Matter protests, anti-lockdown demonstrations and unrest around the US presidential election, have been exceptional. As the socioeconomic fallout from Covid-19 mounts, further political and social unrest is likely, with many countries expected to experience an increase in activity in 2021 and beyond, particularly in Europe and the Americas.

Changes in legislation and regulation drops from #3 to #5 year-on-year. “The pandemic may have caused some delays of the regulatory train, but it did not stop or even derail it. Quite the opposite, 2021 promises to become a very busy year in terms of new legislation and regulation, particularly in the areas of data and sustainability,” predicts Ludovic Subran, Chief Economist at Allianz. **Natural catastrophes** falls to #6 from #4, reflecting the fact that although aggregated losses from multiple smaller events such as wildfires or tornadoes still led to widespread devastation and considerable insured losses in 2020, it was also the third consecutive year without a single large event, such as Hurricane Harvey in 2017.

Climate change also falls to #9. However, the need to combat climate change remains as high as ever, given 2020 was the joint hottest year ever recorded. “With the vaccination campaign coming into effect, climate change will be back on the board agenda as a priority in 2021,” says Michael Bruch, Global Head of ESG at AGCS. “Many companies need to adjust their business for a low-carbon world – and risk managers need to be at the forefront of this transition.”

More information on the findings of the Allianz Risk Barometer 2021 is available here:

- [Top 10 global business risks](#)
- [Full report](#)
- [Individual country and industry sector results](#)
- [Watch a short film about the top 10 risks for 2021](#)

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