ALLIANZ COMMERCIAL

Allianz Risk Barometer

Identifying the major business risks for 2025

The most important corporate concerns for the year ahead, as ranked by 3,700+ risk management experts from more than 100 countries and territories

Methodology

The 14th **Allianz Risk Barometer** incorporates the views of 3,778 respondents from 106 countries and territories. The annual corporate risk survey was conducted among Allianz customers (businesses around the globe), brokers and industry trade organizations. It also surveyed risk consultants, underwriters, senior managers, claims experts, as well as other risk management professionals in the corporate insurance segment of Allianz Commercial and other Allianz entities.

Respondents were questioned during October and November 2024. The survey focused on large, smaller and mid-size companies. Respondents were asked to select the industry about which they were particularly knowledgeable and to name up to three risks they believed to be most important.

Most answers were for large-size companies (>US$500mn annual revenue) [1,747 respondents, 46%]. Mid-size companies ($100mn+ to $500mn revenue) contributed 936 respondents (25%), while smaller enterprises (<$100mn revenue) produced 1,095 respondents (29%). Risk experts from 24 industry sectors were featured.

Ranking changes in the **Allianz Risk Barometer** are determined by positions year-on-year, not percentages.

↗ View the full regional, country and industry risk data

3,778
respondents

106
countries and territories

24
industry sectors

Countries and industry sectors need at least 15 respondents to feature in the Allianz Risk Barometer Appendix results document

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Top risks for smaller and mid-size companies

1
38%
→
2024: 1 (36%)

Cyber incidents

(e.g., cyber crime, IT network and service disruptions, malware / ransomware, data breaches, fines, and penalties)

The most important global business risks for 2025

2
31%
→
2024: 2 (31%)

Business interruption

(incl. supply chain disruption)

3
29%
→
2024: 3 (26%)

Natural catastrophes

(e.g., storm, flood, earthquake, wildfire, extreme weather events)

4
25%
→
2024: 4 (19%)

Changes in legislation and regulation

(e.g., new directives, protectionism, environmental, social, and governance, and sustainability requirements)

5
19%
↑
2024: 7 (18%)

Climate change

(e.g., physical, operational and financial risks as a result of global warming)

6
17%
→
2024: 6 (19%)

Fire, explosion

7
15%
↓
2024: 5 (19%)

Macroeconomic developments

(e.g., inflation, deflation, monetary policies, austerity programs)

8
14%
↑
2024: 9 (13%)

Market developments[1]

(e.g., intensified competition / new entrants, M&A, market stagnation, market fluctuation)

9
14%
↓
2024: 8 (14%)

Political risks and violence

(e.g., political instability, war, terrorism, coup d'état, civil unrest, strikes, riots, looting)

10
10%
↑
NEW

New technologies

(e.g., risk impact of artificial intelligence, connected / autonomous machines)

Key

↑ Risk higher than in 2024
↓ Risk lower than in 2024
→ No change from 2024
(5%) 2024 risk ranking %

Source: Allianz Commercial

Figures represent the number of risks selected as a percentage of all survey responses from 3,778 respondents. All respondents could select up to three risks per industry, which is why the figures do not add up to 100%.

NEW New entry in the top 10 risks

1 Market developments ranks higher than political risks and violence based on the actual number of responses.

The 14th annual Allianz Risk Barometer survey was conducted among Allianz customers (global businesses), brokers and industry trade organizations. It also surveyed risk consultants, underwriters, senior managers and claims experts in the corporate insurance segment of Allianz Commercial and other Allianz entities.

View the full Allianz Risk Barometer 2025 rankings here

Risers and fallers: risk developments in short

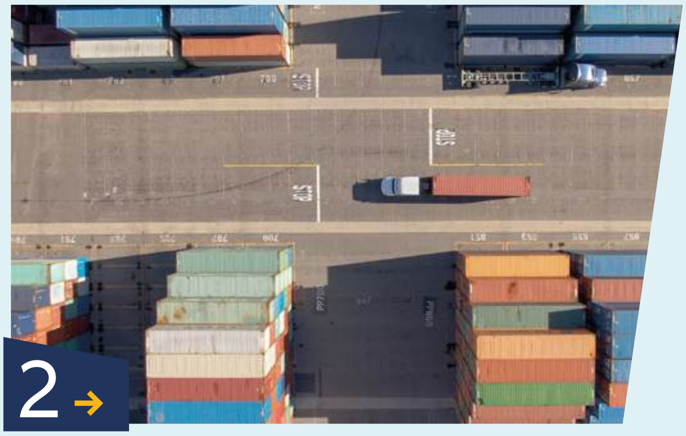
1

Cyber incidents (38% of responses) is the top global risk for 2025 and by a higher margin than ever before – 7% points ahead of business interruption in #2. It is the fourth year in a row that cyber is ranked #1 after first ranking top in 2020. Ten years ago, it ranked only #8 globally with just 12% of responses.

In 2025, it is the top risk across the Europe, North and South America, Africa and Middle East regions and in 20 countries: Argentina, Australia, Belgium, Brazil (new), Colombia (new), France, Germany, India, Italy, Kenya, Mauritius, Morocco (new), Nigeria, Philippines (new), Portugal, South Africa (new), Switzerland, Uganda, UK and USA.

It is also the top risk in (8) industries: Aviation (new), chemicals (new), entertainment (new), financial services, media, professional services, technology, and telecommunications.

Impact of a data breach is the exposure companies fear most. Cyber also ranks as the top risk for large, mid-sized and smaller companies.



2

Business interruption ranks #2 in the **Allianz Risk Barometer**, meaning it has appeared in the top two risks for the past 10 years. It is the top risk in the Asia Pacific region (new) and in 12 countries / territories – Austria (new), Canada, China (new), Hong Kong (new), Indonesia (new), Malaysia, Mexico (new), Netherlands, Philippines (new), Singapore, South Korea and Sweden (new).

It is also the top risk in (11) industries: Consumer goods (new), entertainment, food and beverages, heavy industry, hospitality (new), manufacturing (both automotive and other), oil and gas, power and utilities, renewable energy, and transportation and logistics (new).

The impact of a cyber incident or a natural catastrophe are the business interruption exposures companies fear most. The most important actions that companies are taking to de-risk their supply chains and make them more resilient, according to respondents are: Developing alternative / multiple suppliers; Broadening geographical diversification of supplier networks in response to geopolitical trends; and Initiating / improving business continuity management.

Climate change moves up into the top five risks at #5 (#7 in 2024) – its highest ever position in the **Allianz Risk Barometer**. The closely interlinked peril of **natural catastrophes** remains at #3 with more respondents selecting this risk year-on-year. There has been a renewed focus on climate change risk post-Covid-19 after it dropped down the ranking during the pandemic years as companies dealt with more immediate challenges.

Awareness among businesses of the need to deploy climate resilience measures is growing, driven by the mounting costs firms face from regulatory compliance on disclosing physical climate risks, as well as operational disruptions caused by more extreme weather events and ecosystem degradation.

The three major impacts of climate change that companies fear most according to respondents are: Acute physical impact (e.g., damage to production sites due to extreme weather); Business interruption impact (e.g., supply chain bottlenecks, disruption of logistics due to extreme weather events); and Environmental impact (e.g., extreme temperatures, resource scarcity, biodiversity loss).

Managing climate change transition risk (e.g., decarbonization / net zero strategy) is the environmental, social, and governance (ESG) / sustainability risk trend of most concern, followed by cyber security resilience and increasing ESG / sustainability regulatory and disclosure requirements.

The top three actions that companies are taking to mitigate the direct impact of climate change according to respondents are: Adapting or increasing insurance protection (incl. alternative risk transfer); Adopting carbon-reducing business models (e.g., recycling and reducing waste, encouraging sustainable travel, developing more sustainable supply chains); and Creating contingency plans for climate-related eventualities (e.g., response and recovery, assessing critical systems and resources).

3

For the fifth consecutive year insured losses due to **natural catastrophes** surpassed the US$100bn mark in 2024, so it is no surprise this peril ranks #3 in 2025, after ranking only #6 in 2023. It is the top risk in 9 countries / territories – Austria, Croatia, Greece, Hong Kong, Japan, Romania, Slovenia, Spain, Turkey – and heads the construction and shipping rankings.

4

Changes in legislation and regulation remains at #4 globally, albeit with a significant increase in respondents year-on-year. Sustainability reporting requirements are high on the agenda in Europe, while in the US there is a risk of a 'regulatory Wild West' if grandiose announcements are followed by action, particularly around crypto and artificial intelligence (AI).

8

Market developments (e.g., intensified competition / new entrants, M&A, market stagnation, market fluctuation) rises to #8. Companies are more concerned about this trend for the second year in a row but a stock market correction in 2025 seems unlikely. However, expected tariff walls may have numerous impacts, including on M&A.

9

Political risks and violence drops one place year-on-year to #9 but has the same share of respondents as 2024 and is up year-on-year in countries such as France and the UK, where it is a top five risk. It is also the top risk in Ivory Coast. It ranks as a more concerning risk for large companies year-on-year, up to #7, while it is also a new entry into the top 10 risks for smaller companies at #10.

The impact of civil unrest and riots is the exposure companies fear most according to respondents, followed by war, and impacts on companies' supply chains. Terrorism and sabotage risks are also heightened.

The risk impact of **new technologies** such as artificial intelligence (AI) is a new entry in the top 10 global risks for 2025. However, 50% of respondents believe AI brings more benefits than risks, compared with just 15% who think the opposite. More than a third (35%) said the impact AI was having on their industry was neither positive nor negative.

Shortage of skilled workforce drops out of the top 10 global risks at #11. **Energy crisis** continues to drop down the ranking to #13 after it peaked at #4 in 2023. **Critical infrastructure blackouts** (#12) and **insolvency risks** (#16) are rising but not by enough to make the top 10.

Risks by company size: The top risks for **large companies** (>$500mn annual revenue) largely mirror those globally: **Cyber incidents**; **business interruption**; and **natural catastrophes**.

For **smaller** companies (<$100mn annual revenue) – **changes in legislation and regulation** is up to #2 from #5. There are also signs that some of the risks that have preoccupied larger companies previously are starting to be shared by smaller firms. **Climate change** is up three positions to #6 while **political risks and violence** is a new entry into the top 10 risks at #10.

Macroeconomic developments ranks #7 globally, down two positions year-on-year. It is a higher concern for African businesses however at #3. **Theft, fraud and corruption** and **critical infrastructure blackouts** are also bigger concerns for these firms than elsewhere.

Allianz Risk Barometer 2025: Top concerns around the world

↗ View all country, regional and industry risk data here

The graphics show the top three risks in **selected countries** and whether each risk is considered to be more or less important than 12 months ago or is in the same position.

Australia

1 Cyber →
2 Changes in legislation ↑
3 Natural catastrophes ↓

Cyber is the top business concern, while changes in legislation, climate change (#6) and the impact of new technologies (#8) are all risers in the top 10 risks.

Brazil

1 Cyber ↑
2 Climate change ↓
3 Natural catastrophes ↑

Cyber is the new top concern. Natural catastrophes, and fire (#5) rank higher year-on-year, while market developments (#6), and power blackouts (#9) are both new entries in the top 10 risks.

Canada

1 Business interruption →
2 Natural catastrophes ↑
3 Cyber ↓

In the top 10 risks, climate change (#4) ranks higher, while changes in legislation (#5), macroeconomic developments (#8), and new technologies (#9) are all new entries.

China

1 Business interruption ↑
2 Changes in legislation ↓
3 Market developments →

Business interruption is the new top risk. Product recalls (#8), and power blackouts (#9) are new entries in the top 10.

Colombia

1 Cyber ↑
2 Business interruption ↑
3 Natural catastrophes ↓

Cyber is the new top risk concern. In the top 10 risks, changes in legislation (#4) and new technologies (#10) are new entries.

France

1 Cyber →
2 Business interruption →
2 Natural catastrophes ↑

In the top 10 risks, political risks and violence climbs to a high of #4, while market developments (#8), insolvency (#9), and environmental risks (#10) are all new entries.

Germany

1 Cyber →
2 Business interruption →
3 Natural catastrophes ↑

In the top 10 risks, fire climbs to #5, while political risks and violence is up to #6. Market developments (#9), and power blackouts (#10) are new entries.

India

1 Cyber →
2 Business interruption →
3 Climate change ↑

Cyber is the top peril for the eighth year in a row. In the top 10 risks, climate change, and changes in legislation (#5) rank higher. Environmental risks (#7), and energy crisis (#10) are new entries.

Italy

1 Cyber →
2 Natural catastrophes ↑
3 Business interruption ↓

Changes in legislation (#6), power blackouts (#8), new technologies (#9), and fire (#10) are all new entries in the top 10 risk rankings.

Japan

1 Natural catastrophes ↑
2 Cyber ↓
3 Business interruption →

Natural catastrophes is the new top risk concern. Fire (#4), changes in legislation (#6), and environmental risks (#9) are all risers, while new technologies (#6) is a new entry in the top 10.

Nigeria

1 Cyber →
2 Macroeconomic developments ↓
3 Changes in legislation ↓

Power blackouts is a new entry in the top 10 risks at #4, while business interruption (#5) is also up year-on-year.

Singapore

1 Business interruption →
2 Cyber →
3 Changes in legislation ↑

Changes in legislation climbs three places in the ranking year-on-year, while political risks and violence is up to #9.

South Africa

1 Cyber ↑
2 Business interruption ↑
3 Natural catastrophes ↑

Cyber is the new top risk. Shortage of skilled workforce (#9) and macroeconomic developments (#10) are new entries in the top 10.

Spain

1 Fire ↑
1 Natural catastrophes ↑
3 Business interruption ↓

Fire, and natural catastrophes are the new joint top risks. Changes in legislation (#5) and political risks and violence (#8) rank higher year-on-year.

UK

1 Cyber →
2 Business interruption →
3 Changes in legislation ↑

Changes in legislation is up to #3. Political risks and violence rises to #4. Risk impact of new technologies is up to #5.

USA

1 Cyber →
2 Natural catastrophes ↑
3 Business interruption ↓

Changes in legislation (#4), market developments (#5), and the risk impact of new technologies (#6) are the other risk risers in the top 10 corporate concerns.

Top global risks overview

Cyber, business interruption and natural catastrophes are the risks of most concern for businesses globally in the **Allianz Risk Barometer 2025**. In an increasingly volatile and interconnected risk landscape, companies and their insurance partners must take a holistic view of risk and, continually work to invest in and build resilience, even if the short-term nature of business decisions, world events, and the cost-of-living crisis makes this more challenging than ever.

The **Allianz Risk Barometer** tracks the most important corporate concerns for the year ahead, as voted for by a record 3,778 risk management experts from 106 countries and territories.

With a larger proportion of responses than ever before, **cyber incidents** (38% of responses, a record 7% points ahead) consolidates its position as the most important risk; while notably, the risk impact of **new technologies and developments in artificial intelligence (AI)** is a new entrant in the top 10 global risks at #10. Closely interlinked to cyber, **business interruption** is ranked #2 (31%), just ahead of another related risk, **natural catastrophes** at #3 (29%).

Climate change is another standout result in 2025. It is the biggest mover in the top 10 risks globally, climbing two places to #5 (19%), achieving its highest ever position in the 14 years of the survey. Businesses face many challenges. As climate- and nature-related risks continue to rise, the financial implications will become increasingly pronounced, whether it concerns managing climate change transition risk, mounting costs from regulatory compliance on disclosing physical climate risks or operational disruptions caused by more extreme weather events and ecosystem degradation.

Reflecting regulatory developments for sustainability and emerging technologies, **changes in legislation and regulation** (25%) also drew a bigger response this year, retaining #4 globally.

Top risks are increasingly complex and interdependent

Amid high levels of geopolitical and economic uncertainty, and a shifting risk environment, the top three risks of cyber, business interruption, and natural catastrophes, but also many of the other perils ranked in the top 10, are particularly complex, unpredictable and interdependent.

"What stands out in this year's ***Allianz Risk Barometer*** *is the interconnectivity of the top risks. A change in one – or indeed a mitigating action – might have a knock-on effect on another, and another. Climate change, emerging technology, regulation and geopolitical risks are increasingly intertwined, resulting in a complex network of cause and effect,"* says **Michael Bruch, Global Head of Risk Advisory Services, Allianz Commercial.**

In today's volatile and interconnected risk environment, businesses need to adopt a holistic approach to risk management and consistently strive to enhance their resilience, **Bruch** adds.

"Extreme weather events such as the devastating floods seen in Spain last year, increasing geopolitical conflicts, as well as cyber incidents like the CrowdStrike outage, demonstrate the need to continue building greater resilience. Resilience will be the key topic going forward.

"Humans often have short memories, quickly forgetting past events and maintaining unchanged behaviors. Despite some valuable lessons learned from the pandemic, which led many businesses to adopt resilience measures, I worry that current global events and the cost-of-living crisis might cause resilience to lose its priority. In truth, resilience is more crucial now than ever."

1 2 3 4 5 6 7 8 9 10

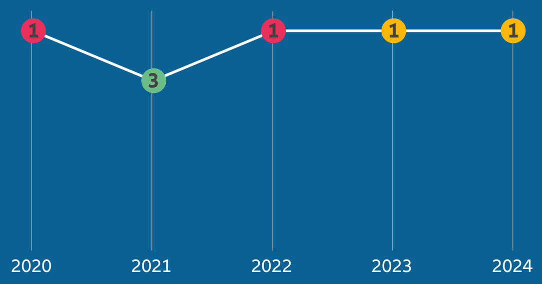
Cyber incidents

38% →

(e.g., cyber crime, IT network and service disruptions, malware / ransomware, data breaches, fines, and penalties)

Ranking history:

Up on previous year · No change · Down on previous year



Top risk in:

- Argentina
- Australia
- Belgium
- Brazil
- Colombia
- France
- Germany
- India
- Italy
- Kenya
- Mauritius
- Morocco
- Nigeria
- Philippines
- Portugal
- South Africa
- Switzerland
- Uganda
- UK
- USA

Growing concern for cyber risk

Cyber incidents such as ransomware attacks, data breaches and IT outages is the top global risk for 2025, marking its fourth consecutive year at the top. Ten years ago, it ranked only #8 globally with just 12% of responses, compared with 38% in 2025.

"For many companies, cyber risk, exacerbated by rapid development of AI, is the big risk overriding everything else," says **Rishi Baviskar, Global Head of Cyber Risk Consulting, Allianz Commercial.** *"Concern is widening worldwide. Cyber is the top risk across North and South America, in Europe and Africa, and comes out on top in 20 countries in both developed and emerging economies."*

As well as being the top risk in countries such as Australia, France, Germany, India, Italy, Portugal and the UK, cyber is also the new top risk year-on-year in Brazil, Colombia, Philippines, Morocco and South Africa. It also ranks as the top risk for large, mid-sized and smaller companies and is now ranked #1 by respondents in industries ranging from aviation to chemicals to entertainment. Financial services, media, professional services such as legal, technology, and the telecommunications sectors also cite cyber as their risk of most concern.

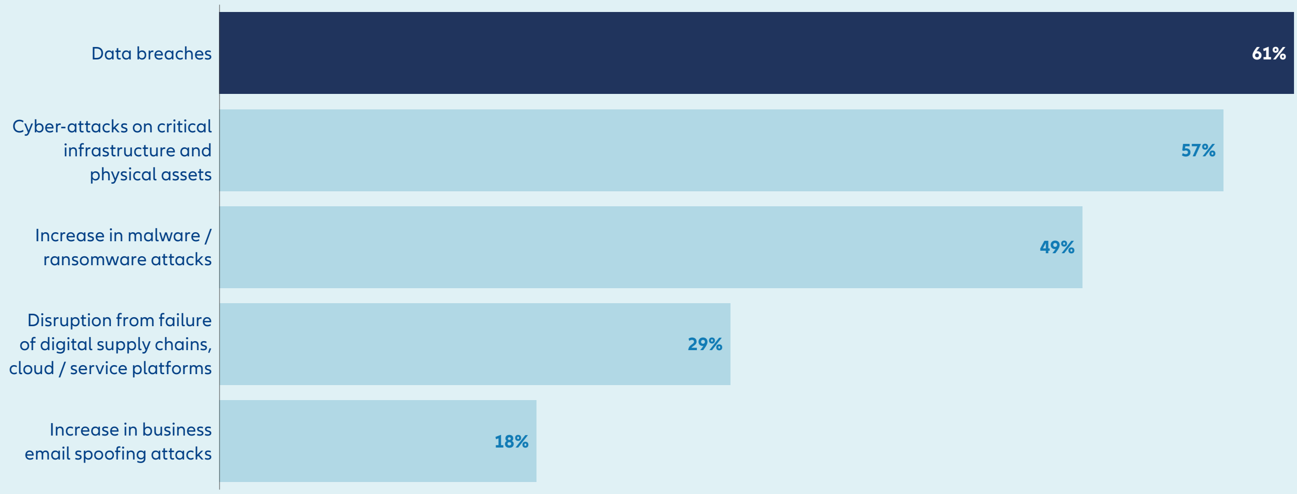
The past year has seen continuing ransomware attacks, which are increasingly targeting sensitive data to increase the financial leverage on companies. Ransomware continues to be the top cause of cyber insurance loss, during the first six months of 2024, it accounted for 58% of the value of large cyber claims (>€1mn), Allianz Commercial analysis shows.

A data breach is the cyber exposure companies fear most (see graphic). *"The growing significance of data breach losses among cyber insurance claims is driven by a number of notable trends,"* says **Michael Daum, Global Head of Cyber Claims, Allianz Commercial.**

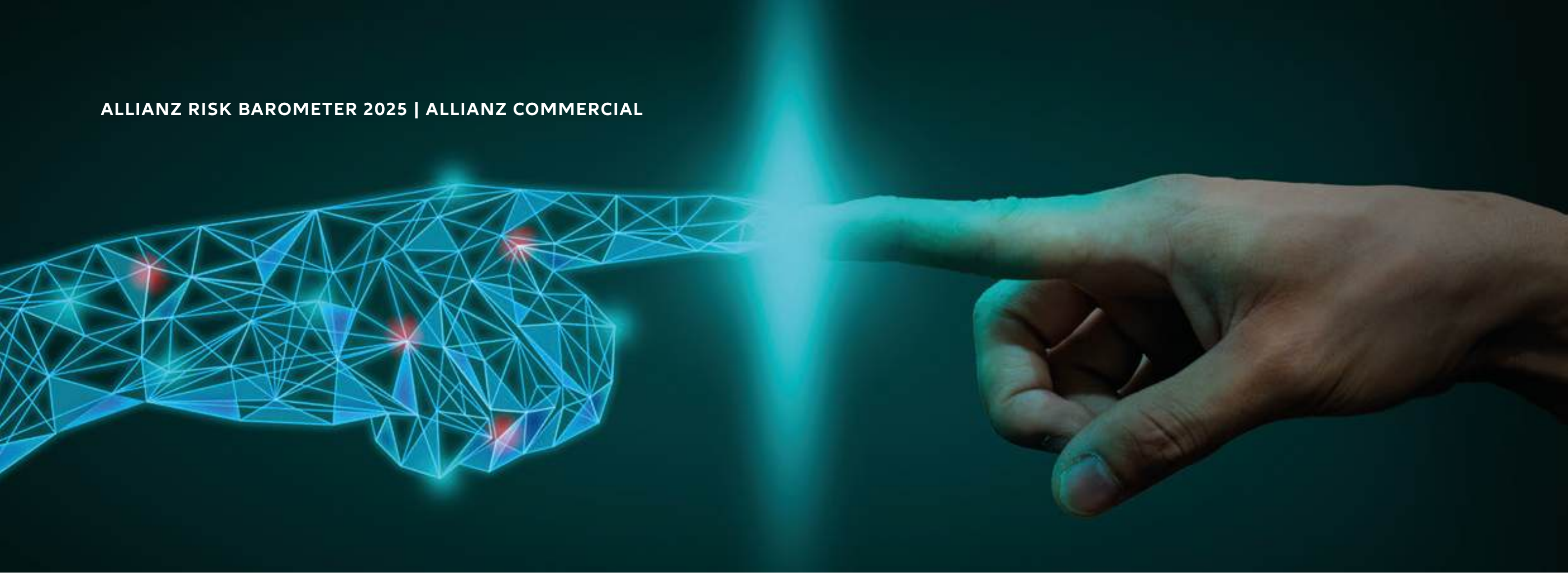
"A rise in ransomware attacks including data exfiltration is a consequence of changing attacker tactics and the growing interdependencies between organizations sharing ever more volumes of personal records. At the same time, the evolving regulatory and legal environment has brought an uptick in so-called 'non-attack' data privacy-related class action litigation, resulting from incidents such as wrongful collection and processing of personal data – the share of these claims has tripled in value in two years alone."

Which cyber exposures concern your company most?

Top 5 responses



Source: Allianz Commercial
Figures represent how often a risk was selected as percentage of all responses
Respondents: 1,450
Figures don't add up to 100% as up to three risks could be selected.



Cyber is likely to remain a top risk for organizations going forward, given the growing reliance on technology, and as AI is incorporated into a growing number of products and services, according to **Daniel Muller, Emerging Risks and Trends Manager, Allianz Commercial:** *"Advancements in technology, enhanced connectivity, faster network speeds, and the rise of remote work and digital commerce will continue to elevate cyber risks, such as data breaches and ransomware attacks. AI will further amplify and accelerate these threats, but it also holds the potential to enhance cyber security measures, offering a dual-edged sword in the digital landscape."*

Cyber also overlaps with several other highly ranked risks in the **Allianz Risk Barometer**. According to respondents, cyber incidents are the cause of business interruption companies fear most. It also ranks as the second biggest environmental, social, and governance (ESG) and sustainability risk of concern for companies, behind only climate change transition challenges.

AI: New technology, new entrant

Closely related to cyber is the impact of new technologies. This risk is a new entry into the top 10 global risks for 2025 at #10, an upwards shift driven by the rapid development and application of AI technology, since the launch of OpenAI's Chat GPT in 2022. Of course, AI promises a myriad of benefits and improved processes and efficiencies but is also accompanied by a host of new risks, which means the new technologies risk category is back on the radar of many companies after five years outside the global top 10.

"Companies have little choice but to adopt AI due to its rapid advancement. Those who hesitate risk falling behind competitors and missing valuable opportunities. While technology development used to be gradual, today's fast-paced AI landscape, coupled with regulatory and legal lag, demands swift adoption. This is the new normal," says **Muller.**

The jury still appears out as to whether the benefits of AI comprehensively outweigh the risks – when asked about the impact AI is having on their industry, 50% of respondents said they believed it brings more benefits than risks, while 35% said it was "neither a positive nor a negative" and 15% that there were more risks than benefits.

With AI, a balance needs to be found between risk and reward, according to **Baviskar:** *"Take cyber risk. AI is being used by criminals and nation states to cause disruption or spread misinformation. But it can also help mitigate risks and build resilience. AI can help improve processes and productivity, but it also impacts employees and raises questions in areas like ethics, privacy and cyber security."*

While the application of AI can help prevent or mitigate risk, there can be unintended consequences, **Bruch** adds. *"AI plays a crucial role in creating solutions to lower emissions and support the transition to Net Zero, such as by enhancing the efficiency of energy generation, transmission, and consumption. However, it is important to note that AI itself demands substantial computing power and energy.*

"One mitigation action can create new problems, or even be counterproductive to the original goal. This is a major challenge going forward. Businesses will need to manage these risks and risk prevention measures holistically. It's essential to ensure that an AI-driven solution doesn't inadvertently increase risks, such as those related to climate change."

Download ↘

Cyber security resilience – Trends in data breach and privacy risk

1 2 3 4 5 6 7 8 9 10

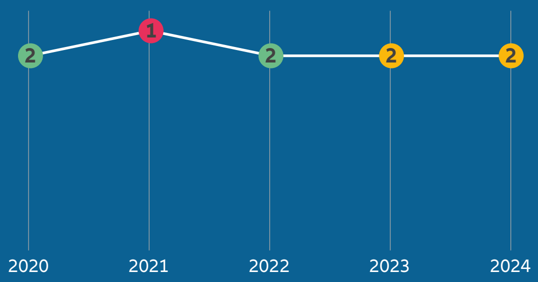
Business interruption

(incl. supply chain disruption)

31% →

Ranking history:

Up on previous year · No change · Down on previous year



Top risk in:

- Austria
- Canada
- China
- Hong Kong
- Indonesia
- Malaysia
- Mexico
- Netherlands
- Philippines
- Singapore
- South Korea
- Sweden

Interconnectivity drives BI concerns

Business interruption (BI) has ranked either #1 or #2 in every **Allianz Risk Barometer** for the past decade. Its persistence at the top reflects severe supply chain disruption during and after the pandemic. Closely aligned with many of the other top risks in the **Allianz Risk Barometer**, BI is typically a consequence of events like a natural disaster, a cyber attack or outage, insolvency or political risks like conflict or civil unrest.

This year it is the new top risk in the Asia Pacific region and is the most important risk in 12 countries and territories including seven where it is a new top risk for 2025 (Austria, China, Hong Kong, Indonesia, Mexico, Philippines, and Sweden). It is also the top risk for 11 industries, including food, consumer goods, hospitality, heavy industry, energy, transport and manufacturing.

Cyber incidents and natural catastrophes are the two BI exposures companies fear most, according to respondents followed by fire, machinery breakdown and supplier failure.

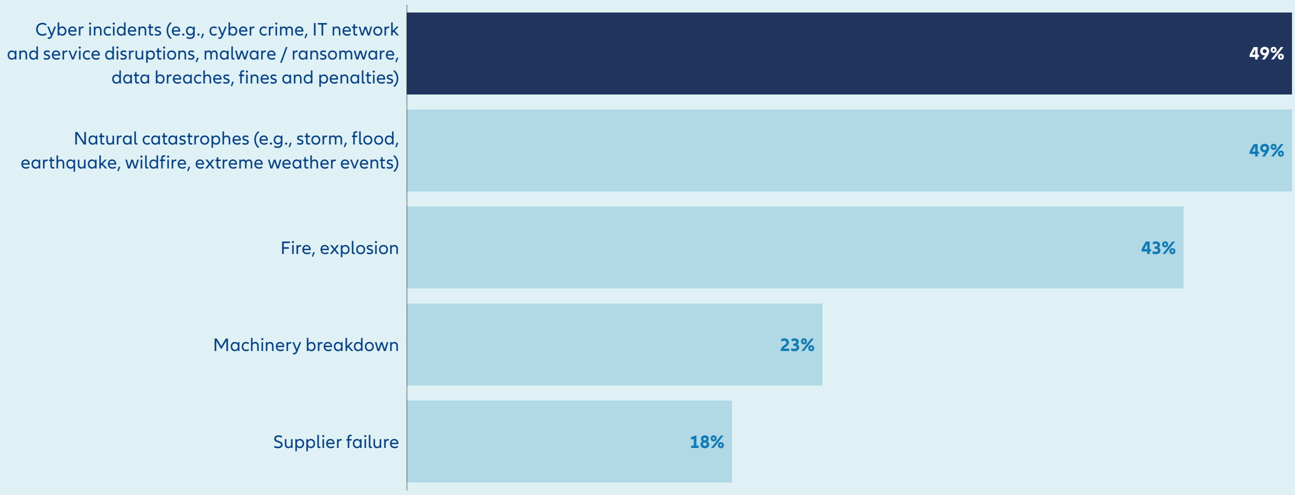
The push for technological advancement and efficiency is affecting the resilience of supply chains. Nowadays, a failure or disruption in any segment of a supply chain tends to be more severe, leaving minimal time to respond, says **Michael Bruch, Global Head of Risk Advisory Services, Allianz Commercial**.

"Automation and digitization have significantly accelerated processes, which can sometimes overwhelm individuals due to the rapid pace and complexity of modern technology. While many organizations strive to implement comprehensive strategies for disaster recovery and business continuity, there remains a concern that contingency plans themselves may be overly dependent on technology, highlighting the need for diverse and adaptable solutions."

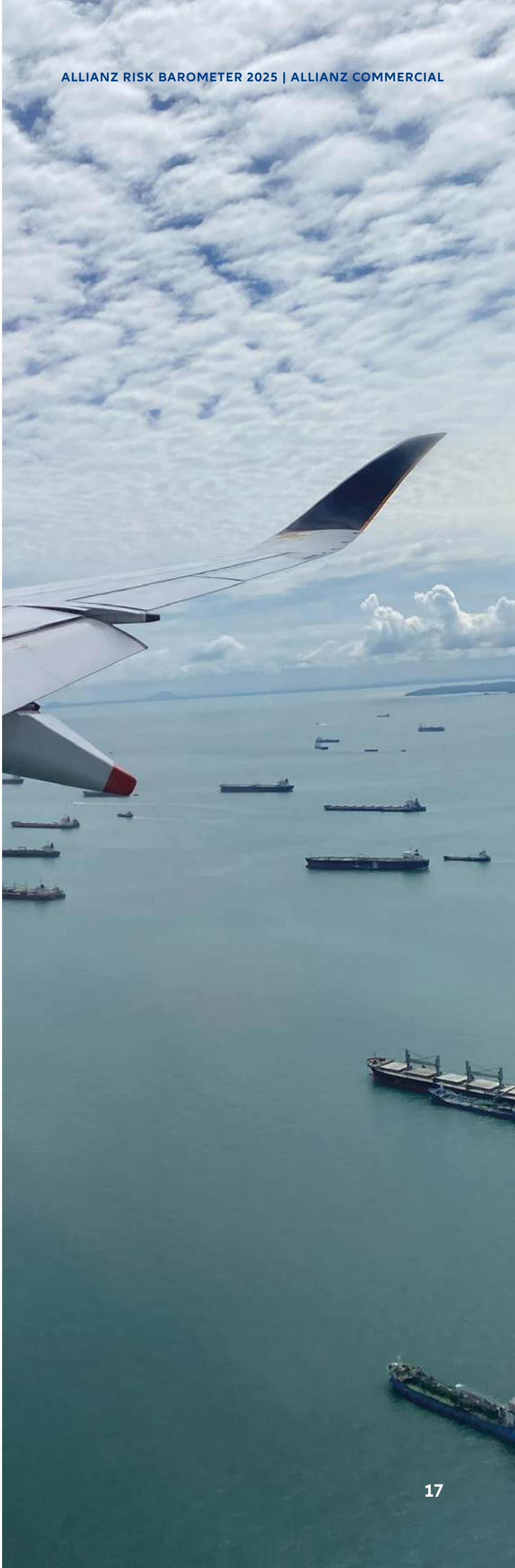
There were several large supply chain disruption events in 2024, including the CrowdStrike IT outage in July, one of the largest to date. A faulty update to CrowdStrike's security software affected computers running Microsoft Windows, reportedly costing Fortune 500 companies over US$5.4bn, with insured losses of $540mn to $1bn[1].

Which causes of business interruption do companies fear most?

Top 5 responses



Source: Allianz Commercial
Figures represent how often a risk was selected as percentage of all responses.
Respondents: 1,177
Figures don't add up to 100% as up to three risks could be selected.



“Supply chain disruptions with global effects occur approximately every 1.4 years, and the trend is rising

“Last year’s outage affecting CrowdStrike and Microsoft users was a reminder that IT and software supply chains can go down, and when they do, it can have a global impact,” says **Rishi Baviskar, Global Head of Cyber Risk Consulting, Allianz Commercial.**

“Our reliance on technology companies for IT infrastructure, software, and services is increasing, and we can expect more disruptive events like CrowdStrike to happen in the future. And with AI and generative AI, our dependency on a relatively small number of technology providers will intensify.”

Concern for BI is also being driven by supply chain disruption and geopolitical risks. Supply chain disruptions with global effects occur approximately every 1.4 years, and the trend is rising, according to a white paper from Circular Republic, in collaboration with Porsche Consulting[2], Allianz and Agora Strategy. Those disruptions cause major economic damages, ranging up to 5% to 10% of product costs and additional downtime impacts.

Major disruption to shipping and transport is also seen as a higher risk for BI in 2025 than in previous **Allianz Risk Barometers,** reflecting disruption brought by Yemen’s Houthis in the Red Sea, and restrictions on transits in the Panama Canal due to drought conditions.

With 90% of global trade conducted by sea, disruption can have substantial economic consequences. The six-day blockage of the Suez Canal by the **Ever Given** container ship in 2021 is estimated to have cost as much as $60bn[3].

Climate change reaches new high

Climate change moves up two positions into the top five global risks at #5, its highest ever position, while the closely interlinked peril of natural catastrophes remains at #3. There has been a renewed focus on this risk, and natural catastrophe risk management, after they dropped down the ranking during the pandemic years as companies had to deal with more immediate challenges.

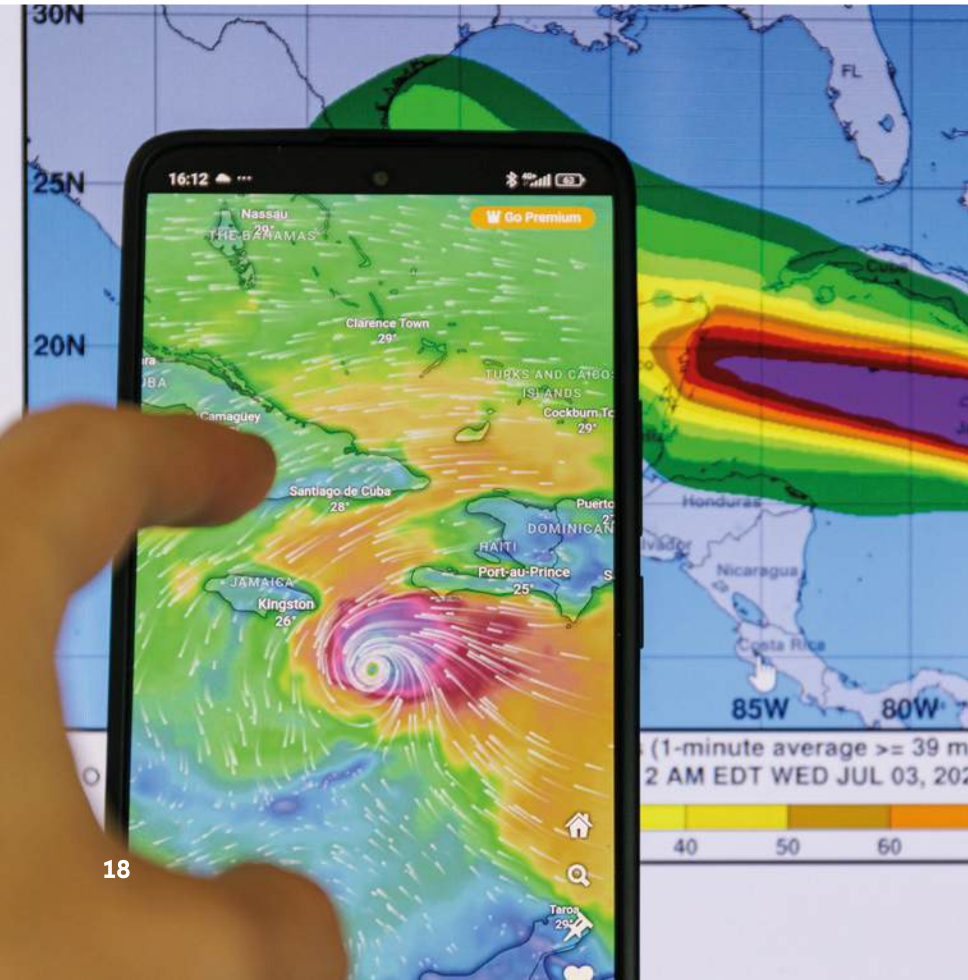
2024 was another year of extreme weather and new climate records. Last year is expected to be the hottest year on record as warming hit 1.5°C, according to the WMO[4]. With an active hurricane season, severe thunderstorms and floods impacting the US, Canada, Spain, Central Europe, United Arab Emirates and Brazil, it was also the fifth year in a row in which insured losses from natural disasters worldwide exceeded the US$100bn mark.

"What we are seeing is a complex picture of climate change linked to natural disasters and physical hazards. For example, hurricane Beryl in 2024 was the first Category 4 storm to form in June, and the earliest forming Category five on record. Climate change has also exacerbated the effects of the extreme flooding that hit southern Spain last year," says **Mabé Villar Vega, Senior Catastrophe Risk Research Analyst, Allianz Commercial**.

In addition to climate change, natural catastrophe losses are also affected by other factors, such as claims inflation, higher value assets, population changes and resilience: *"While climate change may only be partly responsible for what we are seeing, with an increase in the frequency and severity of extreme events, it is making things more unpredictable,"* says **Villar Vega.**

The natural hazard risk landscape has also undergone a significant transformation. Traditional primary perils like earthquakes and tropical cyclones are no longer the predominant threats. Instead, secondary perils, including hail, floods, storms, and wildfires – all of which have a discernible link to the changing climate – have taken center stage. Severe convective storms caused $50bn of insured damage in the US alone during 2024[5].

The 2024 hurricane season, which saw five hurricanes make landfall in the US, including Milton and Helene, highlighted the severe impacts of strong winds, storm surges and the growing threat of inland flooding. Over the past decade, heavy rainfall and the associated flooding have emerged as one of the most deadly and costly aspects of hurricanes, emphasizing the need to prioritize these secondary perils in risk assessment and planning.



> Hurricane Beryl in 2024 was the first Category 4 storm to form in June, and the earliest forming Category five on record

Physical damage and business interruption are the two major impacts of climate change that companies fear most, according to **Allianz Risk Barometer** respondents. Meanwhile, managing climate change transition risk (e.g., decarbonization and net zero strategies) ranks as the environmental, social, governance (ESG) and sustainability risk trend of most concern to companies for the first time, with the sheer volume of regulations, policy uncertainty and problems with data transparency cited as being among the most significant challenges.

Combating climate change is the biggest challenge for society, according to **Daniel Muller, Emerging Risks and Trends Manager, Allianz Commercial:** *"Every action we take has an impact. To reduce greenhouse gas emissions, we must collectively change our behaviors, such as reducing waste, conserving energy, and adopting sustainable practices."*

The world has long passed the point where a smooth transition is possible to achieve the Paris goals and keep the rise in global temperature below 1.5C. Consequently, trade-offs between affordability and insurability are becoming more challenging.

"The burden of natural disasters will increasingly fall on governments and taxpayers in areas prone to costly hurricanes, storms and floods. Climate change raises critical questions about the insurability and affordability of coverage for frequent or likely events. Therefore, the focus must urgently shift to loss prevention and mitigation, involving governments, insurers, and communities," says **Muller.**

On a positive, note the **Allianz Risk Barometer** results show that awareness among businesses of the need to deploy climate resilience measures, which can include a mixture of physical measures, nature-based solutions and behavioral change is growing, given they can help safeguard business operations and contribute to a more sustainable future.

The same applies to considering nature risk, which refers to the potential negative impacts on businesses, economies, and societies that arise from degrading natural ecosystems, biodiversity loss, and the decline of 'ecosystem services'. Growing awareness is driven by the mounting costs firms face from regulatory compliance on disclosing physical climate risks, as well as operational disruptions caused by more extreme weather events and ecosystem degradation.

Yet many companies still underestimate the impact of chronic perils (such as drought) because their impact is more gradual. Similarly, the impact of climate change on aging and interdependent infrastructure can also be underestimated, as can the impact of extreme heat on the workforce, for example disrupting labor, explains **Lena Fuldauer, Global Sustainability and Resilience Solutions Lead at Allianz Commercial.**

Political risks and violence remain high on the radar

Despite ongoing geopolitical and economic uncertainty, political risks and violence drop one place to #9 year-on-year, albeit with the same share of respondents as 2024. At the same time, it ranks as a more concerning risk for large companies, up to #7, while it is also a new entry into the top 10 risks for smaller companies at #10. Companies in countries such as France, Italy and the UK (where it is a top five risk in all three countries) regard this peril as a greater concern than in 2024.

The impact of civil unrest and riots is the political risk exposure companies fear most, given such events are becoming frequent, disruptive and costly. In addition to endangering the safety of employees and customers, those in the immediate vicinity of unrest can suffer business interruption losses and material damage to property or assets, while indirect damage can be inflicted on companies in the form of 'loss of attraction' or 'denial of access' to their premises.

The Impact of war, and disruption to supply chains are other major concerns in the **Allianz Risk Barometer**, while terrorism and sabotage risks are also heightened.

Political risks are a multiplier for other risks, according to **Michael Bruch, Global Head of Risk Advisory Services, Allianz Commercial:** *"Conflicts and geopolitical tensions have the potential to disrupt supply chains and cause physical damage. In export-driven economies like Germany, such geopolitical risks can significantly impact economic stability. However, these political risks can also create opportunities; some companies manage to adapt and continue operations effectively, leveraging new market conditions. While the geopolitical landscape is complex and trends can vary, businesses that are agile and resilient may find ways to thrive amidst these challenges."*

Political risks, be they trade disputes, civil unrest, or military conflicts, significantly challenge supply chain stability. High tech and green energy sectors, which have been the subject of trade wars and protectionism, are particularly at risk. For example, in 2023 China restricted the export of graphite, an essential component for lithium-ion batteries used in electric vehicles. Analysis by Allianz[6] and others shows that within the last decade export restrictions on critical raw materials increased by a factor of five. Some products in electric vehicles and consumer goods are as much as 91% dependent on China.

"Analysis by Allianz shows that within the last decade export restrictions on critical raw materials increased by a factor of five

Resilience remains key in volatile risk landscape

Companies are most likely to consider developing alternative / multiple suppliers when taking measures to de-risk their supply chains and make them more resilient, according to the **Allianz Risk Barometer**. A greater proportion of respondents than last year also cited geographical diversification of supplier networks in response to geopolitical trends.

"A circular economy can mitigate supply chain risks, but onshoring and insourcing everything is impractical due to cost and resource constraints. Managing supply chain risks also requires strategies like diversification, strategic partnerships, and technological innovation, creating more resilient and adaptable supply chains," says **Michael Bruch, Global Head of Risk Advisory Services, Allianz Commercial.**

When it comes to mitigating the direct impact of climate change, adapting or increasing insurance protection, including alternative risk transfer, is the top action that companies are taking – the first time it ranks top. This is followed by adopting carbon-reducing business models and creating contingency plans for climate-related eventualities. More companies say they are investing in clean technologies to reduce emissions.

However, to keep insurance affordable, businesses must focus more on loss prevention and resilience. Allianz continues to invest in and expand its risk management and loss prevention services, with a dedicated climate risk engineering service and the development of climate adaptation and resilience tools.

Loss prevention is an increasingly important aspect of risk management, says **Bruch.** *"Businesses are looking for more support from insurers across the risk management cycle. We have seen this clearly with cyber risks over the last few years, and increasingly it is the case for climate and transition risks. Loss prevention is key to these risks and insurers have an important role to play in developing solutions for new risks, like green energy and technology.*

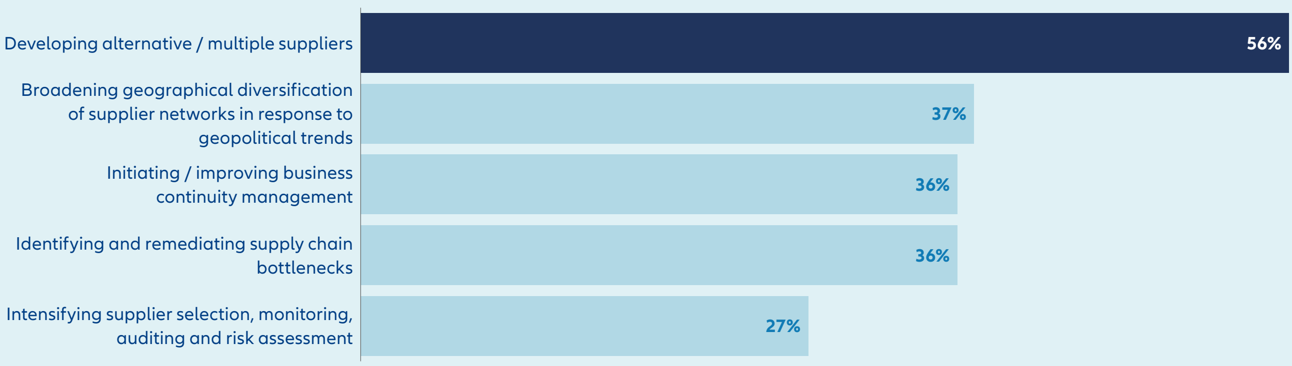
"For insurers this will mean more entrepreneurial risks, and less historical claims data with which to assess and price risk. But we can help clients understand the risks and take loss prevention and mitigation action, supporting the full cycle of risk management."

The short-term nature of business decisions can make it difficult for risk managers to make the case for investments in resilience.

"Investments in protection and loss prevention in physical hazards and transition risks might not pay off for years, or even decades. We are developing tools that help businesses identify and quantify the risks of different climate change scenarios and help them decide where best to invest in resilience," says **Bruch.**

"As an insurer, we are working to link resilience with underwriting and make it more tangible. We need to get better as an industry at incentivizing change in behavior and helping businesses and society build resilience."

Which actions are your company / clients taking to de-risk supply chains and make them more resilient?
Top 5 responses



Source: Allianz Commercial
Figures represent how often a risk was selected as percentage of all responses.
Respondents: 1,177
Figures don't add up to 100% as up to three risks could be selected.

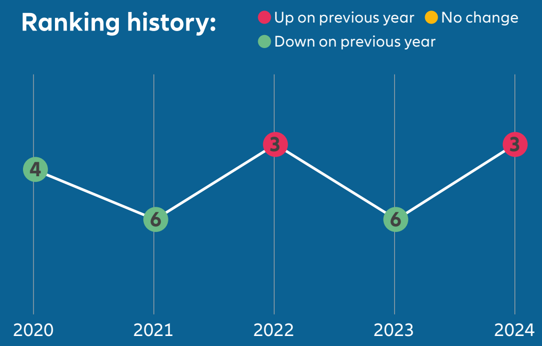
1 2 3 4 5 6 7 8 9 10

Natural catastrophes

29% →

(e.g., storm, flood, earthquake, wildfire, extreme weather events)

Ranking history:



Top risk in:

- Austria
- Croatia
- Greece
- Hong Kong
- Japan
- Romania
- Slovenia
- Spain
- Turkey

For the fifth consecutive year, insured losses due to natural catastrophes have surpassed the US$100bn mark. As such, it is no surprise that natural catastrophes remain among the top three concerns in this year's **Allianz Risk Barometer**.

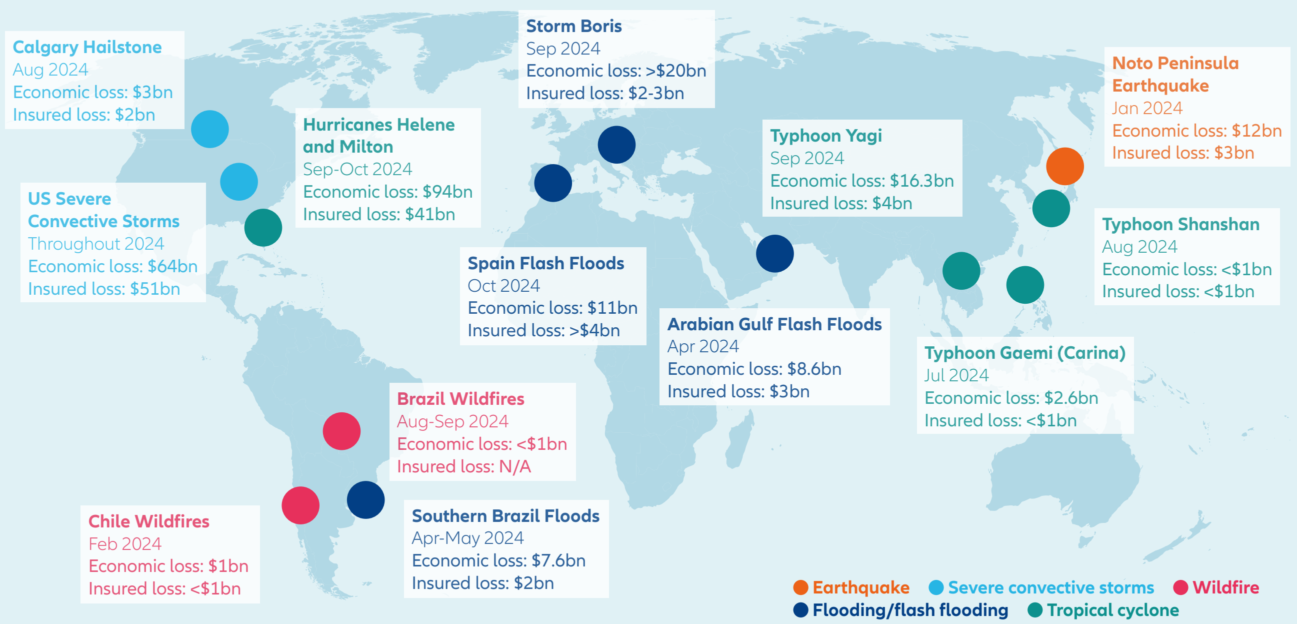
An above-average hurricane season that featured events like Helene and Milton in the US, Storm Boris in Europe, widespread flooding in several countries and the Noto Peninsula Earthquake in Japan serve as reminders that natural catastrophes are a major threat for both companies around the world and the insurance industry.

Total economic losses from natural catastrophes alone reached $310bn in 2024, according to Swiss Re[7]. Severe convective storms (SCS), tropical cyclones and flooding events accounted for almost 90% of all global insured losses related to natural perils and 85% of the total economic losses associated with natural hazards. SCS was the costliest peril, with $57bn, $51bn of which occurred in the US alone. This is the second consecutive year that SCS losses in the US have surpassed the $50bn threshold[8].

2024 is projected to be the warmest year on record, marking the first-time global temperatures exceed 1.5°C above pre-industrial levels (1850-1900)[9]. Weather and climate events accounted for at least 95% of the insured losses in the first three quarters of 2024, with $103bn. Moreover, every major continent experienced at least one historically anomalous extreme weather or climate event during this year[10].

"As climate change progresses, extreme weather events like floods and droughts are expected to become more severe and frequent, a reason why climate change has also risen to #5 in the ***Allianz Risk Barometer*** *ranking,"* says **Mabé Villar Vega, Senior Catastrophe Risk Research Analyst, Allianz Commercial.** *"Rapid urbanization and significant changes in land use further contribute to increasing losses. Therefore, it becomes essential to plan and invest in resilience measures to mitigate the effects of a changing climate."*

Main natural catastrophe perils in 2024



Sources: Gallagher Re, Natural Catastrophe and Climate Risk Report: Q3, 2024; Insurance Asia, Typhoon Gaemi causes multi-million-dollar losses in Asia; Artemis, Typhoon Shanshan seen as unlikely to trouble cat bonds or ILS positions; Southbridge, Mayor aseguradora contra incendios: "Hemos recibido pocas denuncias de siniestros… había baja cobertura"; Reuters, Economic impact of floods in Spain could rise to over 10 bln euros, November 5, 2024
Graphic: Allianz Commercial

Major events in 2024

Hurricane Helene made landfall as a Category 4 storm in the Big Bend area of the Florida Gulf coast in September, bringing damaging winds and storm surge. The most severe impacts were felt across the southern Appalachians, where record-breaking flooding resulted in hundreds of fatalities and billions in property damage. Economic losses are currently estimated in the range of $56bn, while insured losses are close to $16bn[11].

Hurricane Milton: just two weeks after Helene, Milton made landfall as a Category 3 storm in Sarasota County, Florida, after becoming the fastest Atlantic storm to intensify from tropical depression to a Category 5 hurricane. Economic losses are currently estimated in the range of $38bn, with insured losses of $25bn, the costliest storm of the year for insurers[12].

Severe convective storms in the US continue to drive losses for the second consecutive year. More than 1,600 events have been reported during 2024, at least 15 of them have caused losses of S1bn+, with two individual events reaching at least $5bn each. The US SCS combined loss for 2023 and 2024 is now above $114bn, a threshold that had only been breached twice on the US mainland for tropical cyclone (2004/2005 and 2020/2021)[13].

Natural catastrophes in Canada have resulted in the most expensive year on record for insurers, with losses exceeding US$6bn. The Calgary hailstorm in August, with hailstones exceeding 7cm, became the country's costliest insured SCS event on record, with $2.2bn. Extreme rainfall caused by Hurricane Debby's remnants led to considerable flooding in Ontario and Montreal, which resulted in insured losses above $1.9bn[14]. Other notable events include Toronto floods and the Jasper Wildfire, both in July.

Storm Boris: a very slow-moving low-pressure system caused torrential rains and caused considerable flooding in Poland, the Czech Republic, Slovakia, Austria, Hungary, Slovenia, Romania, and Italy, among other countries. Insured losses are expected to range between $2bn and $3bn, with economic losses over $20bn[15]. Many areas in the Alps saw their earliest snowfall on record. However, recent investments in flood defenses, especially in major cities, effectively helped to reduce both economical and human losses, highlighting the importance of investing in resilience measures.

Other relevant flooding events include the severe flash flooding in eastern and southern Spain in October, which severely impacted densely populated areas such as Valencia and Alicante, leaving hundreds of casualties and insured losses expected to exceed $4bn[16]. In April, a flash flooding event in the Arabian Peninsula, led to the heaviest rainfall in 75 years of record-keeping in the United Arab Emirates and insured losses of almost $3bn[17]. In southern Brazil, extreme rainfall led to the worst flooding event in Porto Alegre in more than 80 years. Millions of hectares of crops were lost, and insured losses are estimated to reach $2bn, making it the costliest flood event on record. In Africa, the northward shift in the monsoon brought significant rainfall to the Western Sahara, leading to an extreme flood season that caused widespread damage to thousands of homes, livestock, and agriculture. In Chad, Nigeria, Mali and Niger, rainfall totals were among the heaviest seen in decades[18].

Asia saw two of the most relevant earthquakes in 2024: a M7.5 in the Noto Peninsula, Japan, resulted in insured losses of $3bn[19], with economic losses reaching $12bn. In Hualien, Taiwan, a M7.4 struck in April, leading to economic losses of at least $3bn.

Typhoons Yagi, Gaemi and Shanshan affected several areas in the Philippines, Vietnam, China, Thailand, Myanmar, Taiwan, North Korea, and Japan. The combined economic loss of landfalling typhoons in East Asia is estimated to surpass $20bn. Yagi, the second strongest tropical cyclone globally in 2024, only behind Hurricane Beryl, became Vietnam's costliest weather event, with an economic loss of $3.3bn[20].

Wildfire: devastating wildfires in the Chilean regions of Valparaíso, O'Higgins and Araucanía[21] resulted in more than $1bn in economic losses and 134 fatalities . In Brazil, a record-breaking number of wildfires caused widespread damage, deteriorated air quality and generated hundreds of millions of dollars in economic losses.

Drought events in the central and western US are expected to result in a multi-billion-dollar economic loss. Severe conditions also impacted the Amazon River basin and the Pantanal Wetlands in South America as well as much of southern Africa.

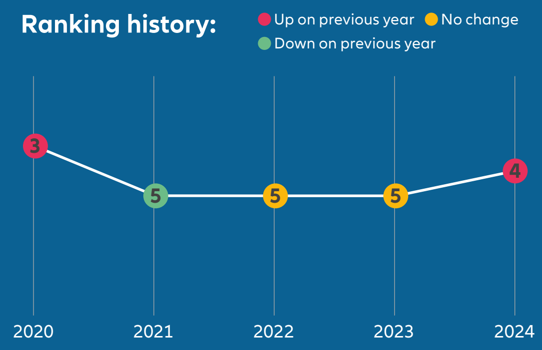
1 2 3 4 5 6 7 8 9 10

Changes in legislation and regulation

25% →

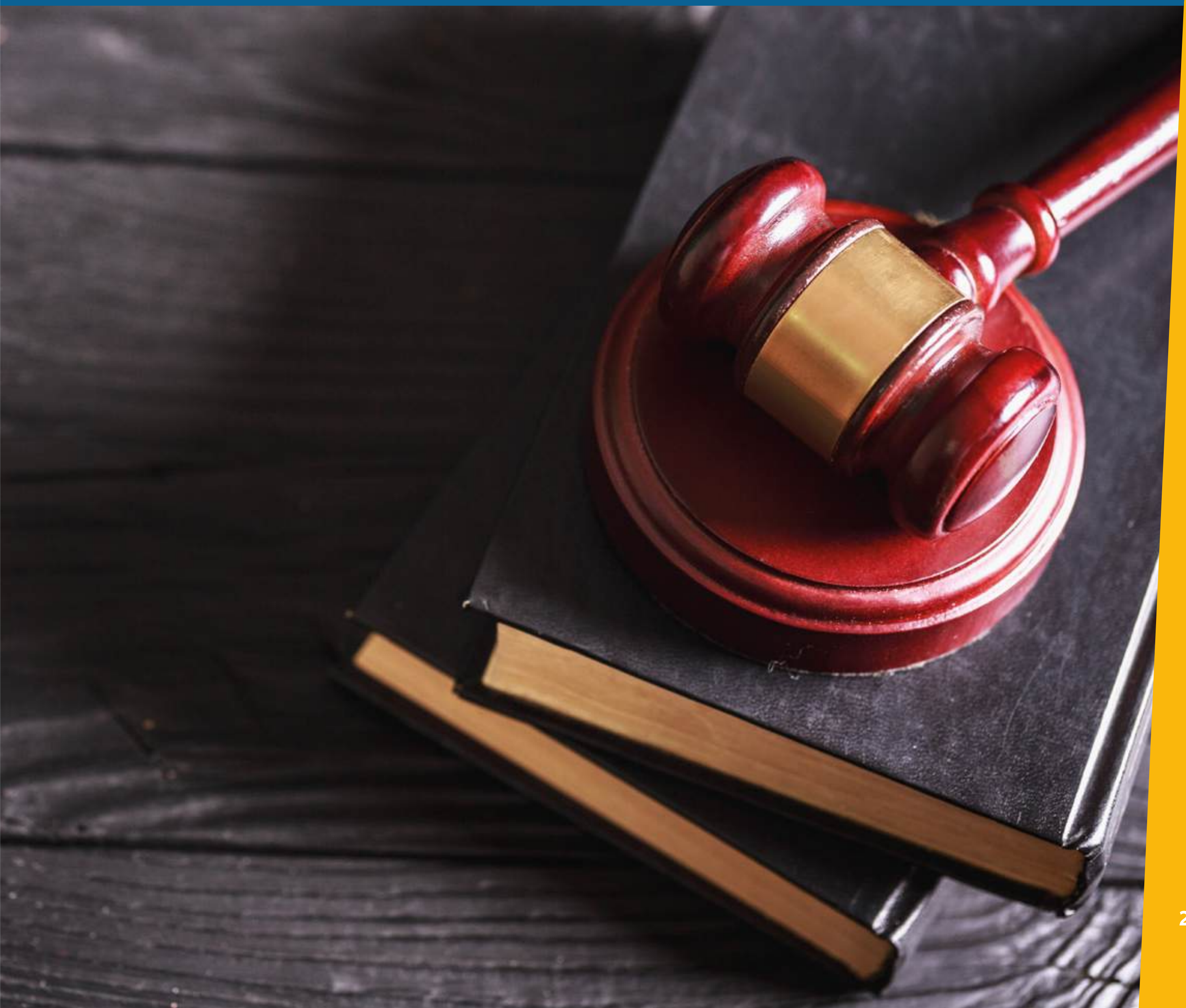
(e.g., new directives, protectionism, environmental, social, and governance, and sustainability requirements)

Ranking history:



Top risk in:

- Cameroon
- Hungary
- Malaysia
- Zimbabwe



Sustainability reporting requirements are high on the agenda in Europe, while in the US there is a risk of a 'regulatory Wild West' if grandiose announcements are followed by action, particularly with crypto and AI. Meanwhile, tariffs are looming.

2025 will be the year of de-bureaucratization. At least if the announcements of the new governments on both sides of the Atlantic are to be believed. Ursula von der Leyen, re-elected President of the EU Commission, promises cutting red tape. And President-elect Donald Trump has even created a new 'department' – the Department of Government Efficiency (DOGE) headed by Elon Musk – to radically reduce the regulatory jungle.

However, skepticism is appropriate and shared by many companies which still see legislation and regulation as a top four risk in the **Allianz Risk Barometer**. Why? For one, promises of less red tape are a recurring refrain in the corridors of the Brussels bureaucracy. "Reducing the regulatory burden" for the purpose of strengthening competitiveness was already a central component of the so-called Lisbon Strategy – which was adopted by the EU way back in 2000. And yet another problem arises in this context: a large proportion of the new regulations revolve around sustainability, first and foremost among them being the Corporate Sustainability Reporting Directive (CSRD).

"Without question, these reporting requirements create new burdens for the companies concerned. However, the CSRD data helps to make climate risks transparent," says **Ludovic Subran, Chief Investment Officer and Chief Economist at Allianz.** *"For example, how are banks and institutional investors such as insurers supposed to align their portfolios with the Paris climate targets if they know little or nothing about their investees' emissions and adaptation paths? How is biodiversity protection supposed to work without knowledge of the ecosystem services for companies and their impairment by the same?*

"In this sense, 2025 could become a 'moment of truth' as to whether regulatory fatigue will enter into an unholy alliance with climate fatigue and follow the false narrative that this will serve Europe's competitiveness. In fact, for improving competitiveness, Europe must strengthen the green transformation instead of weakening it. In that sense, the CSRD should be seen as an essential and much-needed tool to steer capital allocation towards the right direction."

> "Europe must strengthen the green transformation instead of weakening it

However, for another major sustainability regulation, the Corporate Sustainability Due Diligence Directive (CS3D), the situation is somewhat different. Here, the reporting requirements for the entire value chain are indeed excessive and could even lead to undesirable results: EU companies could withdraw from risky markets, jeopardizing development in poorer countries and leading to a more concentrated supplier base. CS3D needs an overhaul, according to **Subran.**

From deregulation to trade wars

What is the situation in the US? Here, fears tend to go in the other direction. If the grandiose announcements are actually followed by action, there is a risk of a 'regulatory Wild West'. This applies above all to cryptocurrencies and artificial intelligence (AI). History has shown that crypto is highly susceptible to money laundering and financial crime. This justifies strict regulations and monitoring. The same applies to AI. As a general-purpose technology, AI can help to take productivity to a new level – for better or for worse. The spread of fake news on social media is just one (dangerous) example. Developing and applying AI without guardrails does not seem like a good idea. But in another respect, unfortunately, a wave of new 'regulations' is looming from the US: tariffs. The effect will be pretty much the same as with (over)regulation: ramping up costs for all companies affected.

"The bottom line: deregulation is a good idea in principle – but the devil is in the details. Not every regulation is inherently 'bad'. And more often than not it is the implementation of rules that make corporate life difficult. Not only the number of rules but also an efficient administration that makes compliance as easy as possible should be the focus," says **Subran.**

"A thorough digitization of the administration is urgently needed. However, in 2025, too, we will probably still be waiting in vain for a corresponding digital strategy. Instead, trade wars are coming. The outlook is indeed not rosy."

1 2 3 4 **5** 6 7 8 9 10

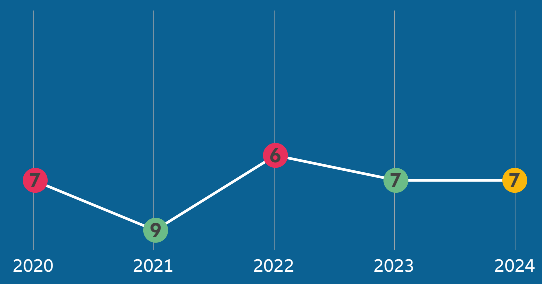
Climate change

19% ↑

(e.g., physical, operational and financial risks as a result of global warming)

Ranking history:

Up on previous year · No change · Down on previous year



This peril achieved its highest-ever position in 2025. Physical damage and business interruption from extreme weather events are the impacts companies fear most, while managing transition risk is the key area of focus looking ahead.

2024 was another year of extreme weather and new climate records. Last year is expected to be the hottest year on record as warming hit 1.5°C, according to the World Meteorological Organization (WMO)[22]. With an active hurricane season, severe thunderstorms and floods impacting the US, Canada, Spain, Central Europe, United Arab Emirates and Brazil, it was also the fifth year in a row in which insured losses from natural disasters worldwide exceeded the US$100bn mark. Severe convective storms caused $50bn of insured damage in the US alone during 2024[23].

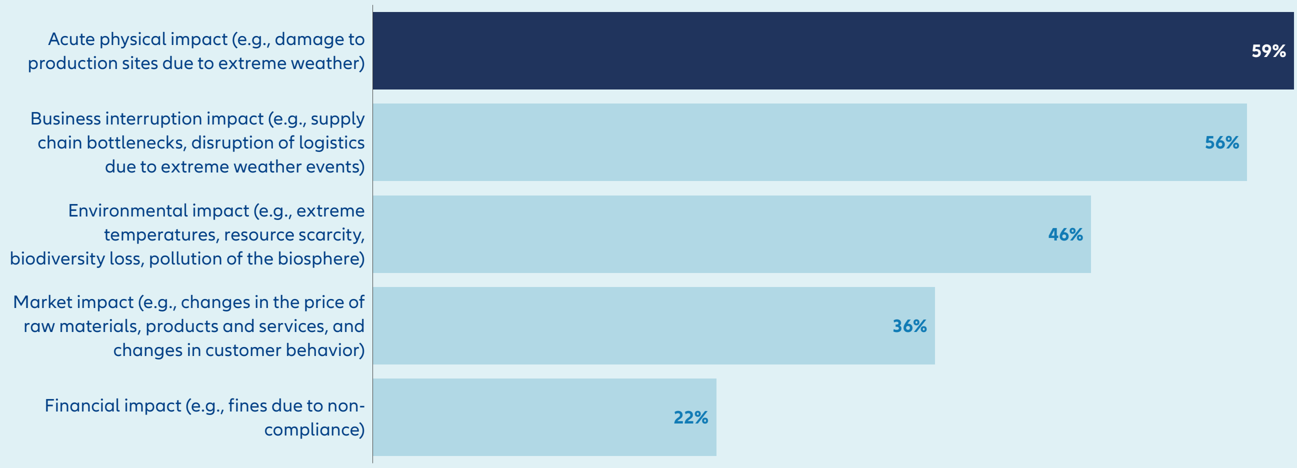
It is little surprise then that climate change delivers a standout result in 2025. It is the biggest mover in the top 10 risks globally, climbing two places to #5, achieving its highest ever position in the 14 years of the survey. It ranks as a higher risk year-on-year in countries such as Australia, Belgium, Canada, Croatia, India, Kenya, Malaysia, Mauritius, Morocco, Netherlands, Portugal, Romania, Slovenia, South Africa, Switzerland and Thailand.

It also ranks as a much greater concern for smaller companies (<$100mn annual revenue), climbing three positions year-on-year to #6 *(see page 44)*.

"We are seeing global insured losses from extreme events increasing, especially, the number of billion-dollar events[24]," says **Lena Fuldauer, Global Sustainability and Resilience Solutions Lead at Allianz Commercial.** *"Socio-economic factors such as urbanization or increased asset value are dominating this trend, but we do see many major extreme events increasing in frequency or severity, due to climate change, as evidenced through climate attribution studies[25]."*

These event attribution studies calculate if, and the degree to which, a specific extreme event was made more (or less) likely and / or intense because of climate change.

Which impacts of climate change does your company / industry fear the most?
Top 5 responses



Source: Allianz Commercial
Figures represent how often a risk was selected as percentage of all responses.
Respondents: 716
Figures don't add up to 100% as up to three risks could be selected.

Respondents' views

The challenges are many for businesses. As climate- and nature-related risks continue to rise, and awareness of them among companies grow, the financial implications are also becoming increasingly pronounced, whether it concerns managing transition risk, mounting costs from regulatory compliance on disclosing physical climate risks or dealing with operational disruptions caused by more extreme weather events or ecosystem degradation.

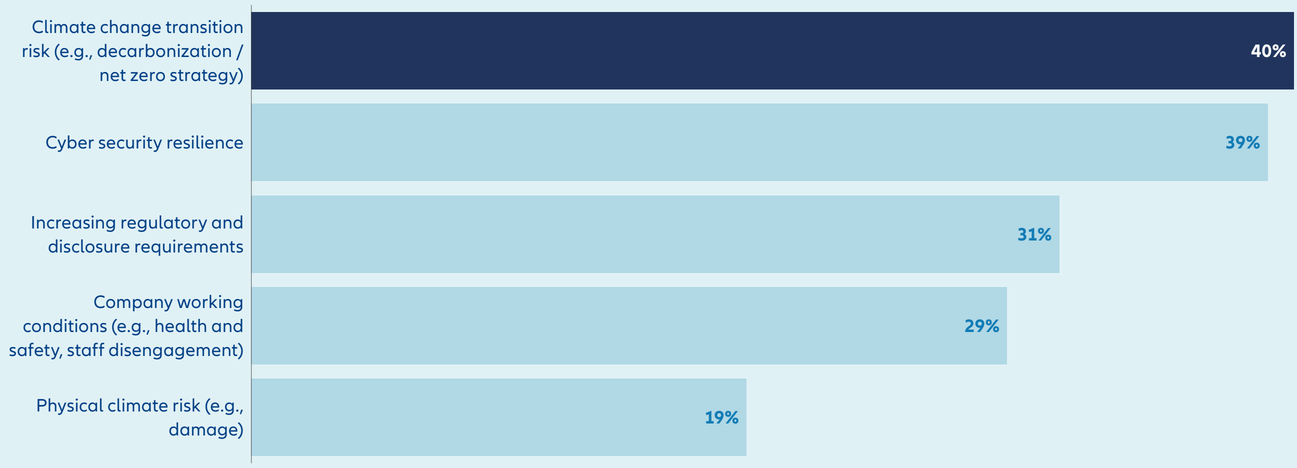
Physical damage and business interruption are the two major impacts of climate change that companies fear most, according to **Allianz Risk Barometer** respondents. given their potential effect on profitability, downtime, production or service delivery.

The environmental impact (e.g., extreme temperatures, resource scarcity, biodiversity loss) ranks third. Extreme temperatures can drive up energy demand, which is especially critical for industries reliant on cooling systems, potentially leading to operational cost increases. Water scarcity can threaten businesses reliant on water for operations, while biodiversity loss undermines ecosystem services which many industries depend on, for example, agriculture or maintaining crop yields, **Fuldauer** explains.

> Physical damage and business interruption are the two major impacts of climate change that companies fear most

Managing climate change transition risk (e.g., decarbonization and net zero strategies) ranks as the environmental, social, governance (ESG) and sustainability risk trend of most concern to companies for the first time, the **Allianz Risk Barometer** results also show. The sheer volume of regulations, increasing reporting requirements, policy uncertainty and data transparency are cited as the most significant challenges.

Which ESG / sustainability risk trends are of most concern to your company / clients?
Top 5 responses



Source: Allianz Commercial
Figures represent how often a risk was selected as percentage of all responses.
Respondents: 3,778
Figures don't add up to 100% as up to three risks could be selected.

Mitigation measures

There has been a renewed focus on climate change risk management post-Covid-19 after this peril dropped down the ranking during the pandemic years as companies dealt with more immediate challenges.

The top three actions companies are taking to mitigate the direct impact of climate change according to respondents are: Adapting or increasing insurance protection (incl. alternative risk transfer); Adopting carbon-reducing business models (e.g., recycling and reducing waste, encouraging sustainable travel, developing more sustainable supply chains); and Creating contingency plans for climate-related eventualities (e.g., response and recovery, assessing critical systems and resources). More companies also say they are investing in clean technologies to reduce emissions.

Awareness among businesses of the need to deploy climate resilience measures, which can help to safeguard business operations and contribute to a more sustainable future is growing, the **Allianz Risk Barometer** results also show. The impact of chronic perils on operations, such as drought, can often be underestimated because their impact is more gradual, as can the impact of climate change on aging and interdependent infrastructure, and on the workforce, for example, extreme heat disrupting labor.

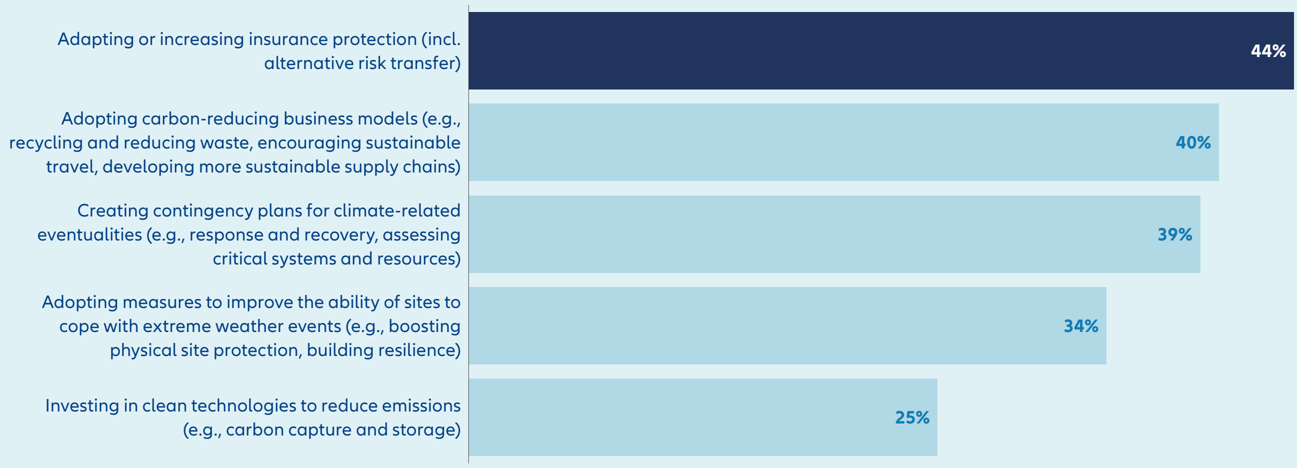
Building resilience goes beyond regulatory compliance and risk reporting to taking proactive measures to protect business assets, employees, and operations, explains **Fuldauer**, who outlines three main categories of resilience strategies which businesses can adopt.

Physical measures are direct actions to protect infrastructure and assets from climate risks. Examples include flood barriers, sea walls, and flood-proof building materials. Nature-based solutions involve restoring or protecting natural ecosystems to reduce climate risks. For example, green open spaces can help to cool air while unpaved areas can reduce the velocity of stormwater. Behavioral changes are vital for driving effective resilience strategies. These include developing and practicing emergency plans, training employees on what to do during extreme weather, and educating communities on best practices.

Download ↘

Find out more about climate resilience services and nature risk in Global Risk Dialogue

Which actions are your company taking to mitigate the direct impact of climate change?
Top 5 responses



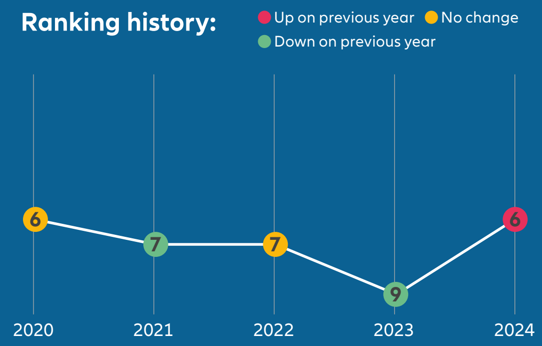
Source: Allianz Commercial
Figures represent how often a risk was selected as percentage of all responses.
Respondents: 716
Figures don't add up to 100% as up to three risks could be selected.

1 2 3 4 5 6 7 8 9 10

Fire, explosion

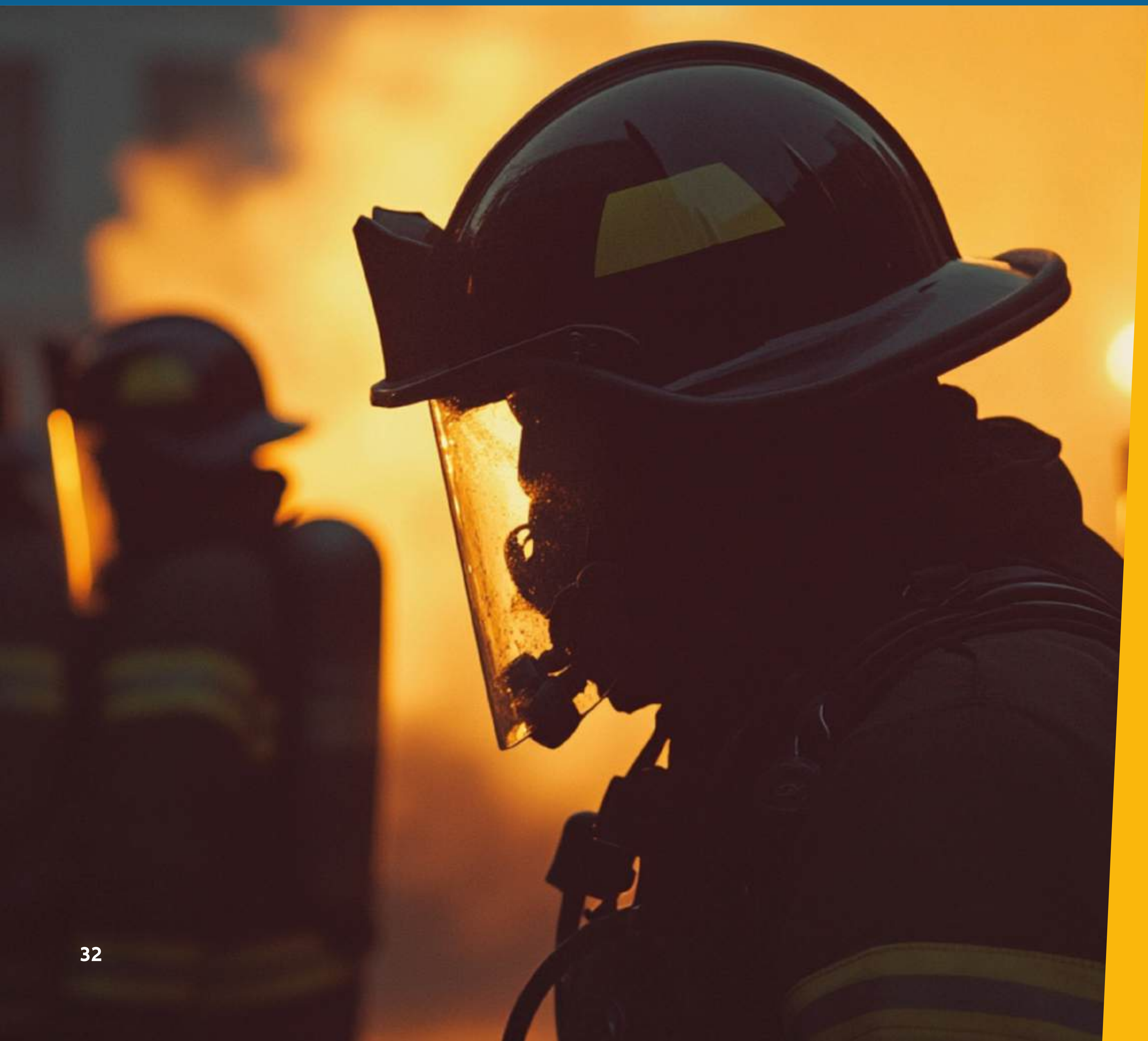
17% →

Ranking history:



Top risk in:

- Malaysia
- Senegal
- Spain
- Thailand



Few things can be more destructive than a fire. Not only can one cause costly damage, but it can also interrupt a firm's operations indefinitely, ensuring it is a perennial top 10 global risk for businesses.

Fire risks are well understood by businesses and typically well risk managed. However, fire remains a significant cause of business interruption (BI) and supply chain disruption, especially where critical components such as semiconductor chips or automotive components are concentrated geographically or are among a small number of suppliers.

According to **Allianz Risk Barometer** respondents, fire is the third top cause of business interruption companies fear most (43% of respondents, ranking behind only cyber incidents [49%] and natural catastrophes [49%]). Meanwhile, Allianz Commercial analysis of more than 1,000 BI insurance industry claims over a five-year period ending in 2023 (with a value in excess of US1.3bn), shows fire is the most frequent driver of these claims and accounts for over a third of the entire value (36%).

The degree of disruption can be very high, as it can take longer to recover from than many other perils, and the impact on suppliers can often be great. For example, pharmaceutical and chemical sectors deal with highly flammable and explosive materials. Damaged plants can sometimes take years to rebuild and get production back up and running to full capacity.

Fire has also become an elevated risk with electrification and the growing prevalence of lithium-ion batteries. Inadequate handling, storage or transportation of these batteries has been linked to an increasing number of fire incidents on land and at sea in recent years.

Regularly assessing and updating prudent fire mitigation practices, including preventative measures, fire extinguishing methods and contingency planning remain essential for all businesses to lower the risk of loss from any incident.

Fire, explosion ranks as a top five global risk in these industries:

Agriculture
3

Engineering, construction, real estate
3

Heavy industry
2

Manufacturing (other industries)
4

Marine and shipping
4

Oil and gas
3

Renewable energy
3

Retail and wholesale
4

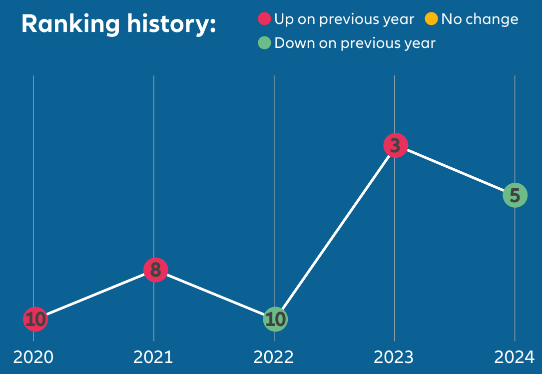
1 2 3 4 5 6 7 8 9 10

Macroeconomic developments

15% ↓

(e.g., inflation, deflation, monetary policies, austerity programs)

Ranking history:



Top risk in:

- Burundi
- Ghana

Last year, many elections generated attention. In 2025, new governments set the course for the future and the long-term consequences for growth and prosperity will be significant.

In 2025 there is nothing new on the cards in terms of global growth. Two years ago, the global economy grew by 2.8%. 2024: 2.8%. And the forecast for 2025? 2.8%, according to **Allianz Research**. The headwind from geopolitical risks and rising interest rates has not yet been able to slow growth. It is therefore no wonder that many companies see macroeconomic developments as a lower business risk in the **Allianz Risk Barometer** this year, falling to #7. The world economy seems to be on a stable course. However, this only applies to the surface of the global growth rate – below, there has been some turbulence.

Take China, for example: structural problems in the immensely important real estate market have proven to be a stubborn drag on sentiment and growth over the last two years. Or in Germany: creeping deindustrialization plunged the economy into recession for two consecutive years. By contrast, the US: the predicted recession never materialized, and the economy continued to grow despite sharp interest rate hikes, mainly because US consumers simply refused to curb their spending.

This is not likely to change much in 2025 either, as central bank policy will shift from taming inflation to supporting growth. In particular, the US economy will remain relatively robust (+2.3%), as the new US government's measures are likely to be growth-neutral: tax cuts and deregulation on the one hand, tariffs and deportations on the other. Of course, it remains to be seen how much of what has been announced can actually be implemented. The Eurozone (+1.2%) and China (+4.6%), on the other hand, are likely to remain still below their potential, not least due to the threat of trade wars. However, India and members of ASEAN could benefit from new trade routes and partnerships. Emerging markets (+4.1%) should therefore remain the growth engine of the global economy.

Profound transformation

But as in previous years, the bare growth rates only tell half the story. They suggest business as normal, when most economies are undergoing a profound transformation, according to **Ludovic Subran, Chief Investment Officer and Chief Economist at Allianz:** *"The US, for example, is attempting an autocentric re-industrialization. China, too, is looking more inward, trying to transition towards a more consumption-driven economy. And Europe is in the process of creating a green industry as the basis for global competitiveness and technology leadership. Thus, the approaches differ significantly. The times when economic models converged under the pressure of globalization are over. The fragmentation of the world economy is evident not only in the erection of new trade barriers and sanctions, but also in the different concepts for securing prosperity.*

"In 2024, the many elections generated a great deal of attention. 2025 will be the year in which the new governments set the course for the future. This will in most cases not have an immediate impact, but the long-term consequences for growth and prosperity will be significant. For companies, it is therefore worth following developments closely and identifying risks and opportunities in good time."

> The times when economic models converged under the pressure of globalization are over

Insolvency outlook

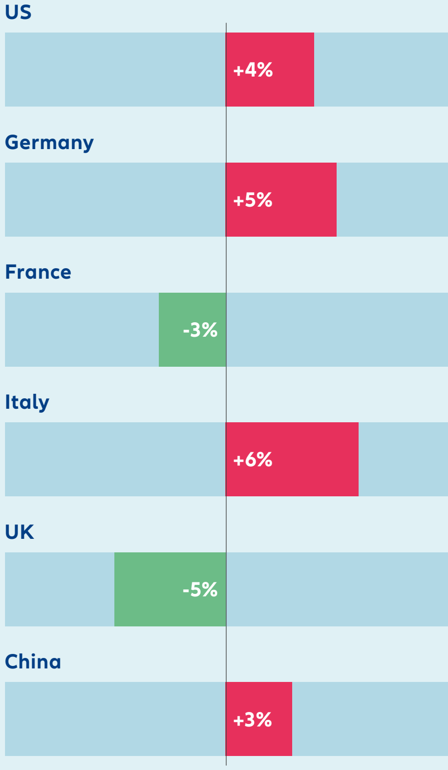
Global business insolvencies are set to stabilize, but at a record high level.

After +1% increase in 2022, +7% in 2023 and +9% in 2024, will global business insolvencies start to decrease in 2025? Not yet, according to **Allianz Trade**. Although they should record a stable level after three consecutive rises, a prolonged high level is planned, particularly in advanced economies.

"We expect the upward curve to come to a halt, with business insolvencies stabilizing at a high level globally in 2025. This stabilization, however, would result from more uneven regional and national trends than in 2024: 3 out of 10 countries should see business insolvencies increase in 2025, including a mix of large and smaller economies accounting for more than half of global GDP. Next year, the downward trend reversal should gain traction in few countries, but global insolvencies would still post a high level," explains **Maxime Lemerle, Lead Analyst for Insolvency Research at Allianz Trade.**

In the US, **Allianz Trade** expects insolvencies to rise by +4% in 2025 before accelerating by +6% in 2026. In Germany, they will increase by +5% before falling by -4% in 2026. In France, they will slightly moderate from very high levels (-3% in 2025 and -7% in 2026) while in Italy they will continue to rise (+6% and +1% respectively). The UK should confirm the trend reversal started end of 2024 (-5% both in 2025 and 2026). In China, business insolvencies will start to increase from low levels (+3% and +6% in 2025 and 2026 respectively).

Percentage increase of insolvencies in 2025



Source: Allianz Trade

Household-oriented sectors on the watch list

When it comes to sectors, construction and real estate have recorded noticeable jumps in business insolvencies in 2024, as evidenced by the latest available figures, especially in Sweden, the Netherlands, France, Germany, and Italy in Europe, as well as Japan in Asia, and, importantly, Canada and the US.

"The first signs of recovery in activity for 2025, mostly driven by decreasing interest rates in major economies, should support an improvement, but the unwinding of major headwinds will remain gradual and structural challenges are likely to persist, leading the sector to continue boosting national numbers of business insolvencies, also because of the relatively higher number of firms and share of SMEs", adds **Lemerle.**

Major insolvencies: beware of domino effects

Large firms have not been immune to rising business insolvencies, still recording more than one bankruptcy a day. Globally, major insolvencies* hit a new high number of cases in Q3 2024 (127 cases), surpassing the pre-pandemic average level.

"Major insolvencies increased by +26% year-on-year for the first three quarters of 2024 (344 cases). Western Europe is leading the global count with 127 cases over the first half of 2024 (+51 y/y), ahead of Asia-Pacific and North America. The US remains at the forefront when it comes to the largest insolvencies, accounting for nine out of the 20 largest insolvencies worldwide over the first three quarters of 2024. This raises the risks of a domino effect of insolvencies through companies' long lists of suppliers," concludes **Lemerle.**

** Firms with an annual turnover exceeding €50mn*

1 2 3 4 5 6 7 8 9 10

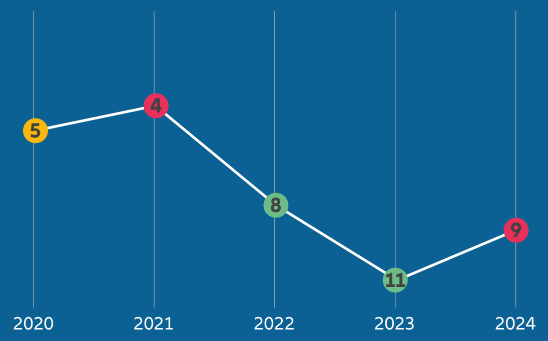
Market developments

14% ↑

(e.g., intensified competition / new entrants, M&A, market stagnation, market fluctuation)

Ranking history:

Up on previous year
No change
Down on previous year



Top risk in:

- Bulgaria
- Senegal

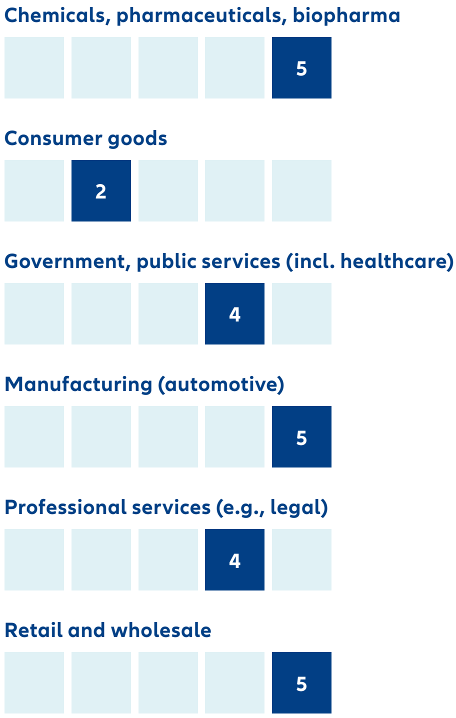
Companies are more concerned about such trends for the second year in succession but many experts believe a stock market correction in 2025 seems unlikely. However, expected tariff walls may impact M&A in the US.

For two years now, markets have defied gravity. Political crises and wars, rising interest rates and spiraling national debt – nothing could stop the stock markets in their tracks, they rushed from record to record. The motto: always look on the bright side. For example, after the election of Donald Trump as the 47th President of the US: in anticipation of possible tax cuts and deregulation, stock prices rose; possible tariffs and deportations were simply ignored. How long can this continue? Many companies also seem to be thinking this, with market developments climbing one position year-on-year to rank #8 among the most important business risks globally in the **Allianz Risk Barometer**.

Of course, there is no definitive answer to this question. But many experts believe it is unlikely that there will be a major stock market correction in 2025 either. Recovering earnings and strong fundamentals should support equities. There are no signs that the artificial intelligence (A)I frenzy will stop soon as most companies have only just started to integrate AI tools in their processes, driving demand for all things related to AI. All in all, equities are projected to deliver an average total return of 8% to 10% in 2025. Nor is there likely to be any trouble on the bond side. Government bond yields are expected to remain broadly stable over the next year. The downward pressure from falling policy rates will be offset by the effects of large public deficits. But no "Liz Truss moment" (when bond markets revolted against an unsustainable budget plan) in sight (yet).

In principle, this is of course gratifying; nobody wants to see the stock market crash. However, there is a catch for Europe, according to **Ludovic Subran, Chief Investment Officer and Chief Economist at Allianz:** *"In view of the expected tariff walls, many companies would like to increase their direct presence in the American market, including through acquisitions. While extremely high valuations and a strong dollar do not make this impossible, they do make it very expensive. It is therefore likely that, for the same reasons, but from the opposite perspective, US companies (and investment firms) will set the tone when the M&A market picks up again. From a European perspective, this competition is not taking place on a level playing field."*

Market developments ranks as a top 5 global risk in these industries:



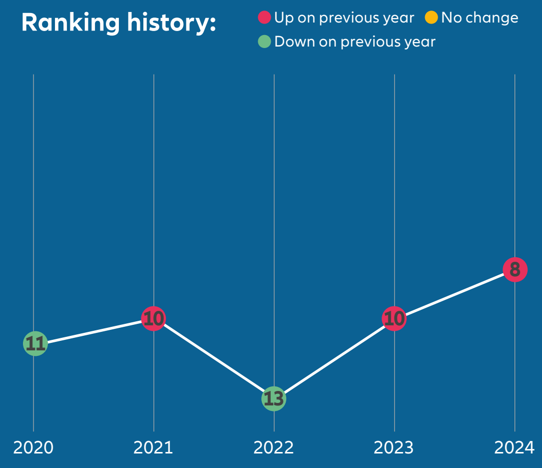
1 2 3 4 5 6 7 8 9 10

Political risks and violence

14% ↓

(e.g., political instability, war, terrorism, coup d'état, civil unrest, strikes, riots, looting)

Ranking history:



Top risk in:

Ivory Coast

Political risks and violence drops one position but still ranks as a top five peril in countries such as France, Italy and the UK. The impact of civil unrest is the exposure companies fear most, while smaller firms are increasingly concerned about the disruption such threats can bring.

Although political risks and violence drops one place globally in the **Allianz Risk Barometer** ranking year-on-year, it still has the same share of respondents as in 2024 and from a larger sample. It is also the third year in a row that this peril has ranked in the top 10 global risks, demonstrating that it has become a key concern for companies of all sizes.

The key drivers for the concern in 2024 were the record-breaking election year around the globe, the disputed results that stemmed from it, changing governments, developing conflict in the Middle East and escalation into Lebanon, as well as ongoing war in Ukraine. Companies, especially in the large-corp and mid-sized segments have also had one eye on potential miscalculation between China and Taiwan possibly escalating into a regional conflict.

"Political risks and violence remains a top 10 global risk because politics is increasingly perceived as being dominated by populism and blame and division, geopolitics by nationalism and a changing world order, and economics by mismanagement, corruption, and continually rising disparity between the 'super rich', 'rich' and the rest," says **Srdjan Todorovic, Head of Political Violence and Hostile Environment Solutions at Allianz Commercial.**

"Ultimately, the speed of change we have seen since 2019, has given companies little time to address their supply chains, meaning they have had to operate in an uncertain environment. Another factor is the unpredictability of the size, location, and length of any incidents or issues. Unlike with other perils such as flood or windstorm, it is difficult to prepare in the same way to mitigate losses and build contingency and business continuity plans."

Terrorism and sabotage challenges

Meanwhile, the risk of terrorism has increased, particularly in Europe. The risk around large events such as the Euros football tournament, the Olympics and Paralympic Games, and even Taylor Swift's record-breaking world music tour have led to enhanced policing and security as well as the cancellation of shows. In March 2024, the tragic attacks on the Crocus City Hall in Moscow resulted in more than 140 casualties and numerous injuries, making it one of the deadliest terrorist attacks in Europe.

"Further, the risk of sabotage has also hit the headlines," adds **Todorovic**. *"Although this might appear to concern businesses in certain sectors more than others, especially those with offshore assets, like oil and gas, telecommunications, and power/utilities, the risk is actually much broader."*

For example, sabotage questions were raised around recent incidents impacting logistics company DHL in Birmingham, UK (a package fire in a warehouse)[26] and Leipzig, Germany (cargo plane crash)[27].

As war in Ukraine continues, and as key allies of Russia continue to suffer meaningful losses (for example, the overthrow of former President Bashar al-Assad in Syria) the risk of a broadening front for covert acts of sabotage by state actors such as Russia, Iran and North Korea will likely increase.

> "The speed of change we have seen since 2019, has given companies little time to address their supply chains, meaning they have had to operate in an uncertain environment

Civil unrest – the exposure of most concern

The impact of civil unrest or strikes, riots and civil commotion (SRCC) is the exposure companies fear most, according to the **Allianz Risk Barometer** with 51% of respondents ranking this top *(see graphic)*.

"This is a view shared by insurers as we have seen this peril increase in frequency and severity over the last six years in particular," says **Todorovic.** *"Although SRCC in 2024 hasn't hit the headlines in the same way, there have still been significant events and losses globally, with events in the UK, Kenya, New Caledonia and South Korea."*

In addition to endangering the safety of employees and customers, those in the immediate vicinity of unrest can suffer business interruption losses and material damage to property or assets, while indirect damage can be inflicted on companies in the form of 'loss of attraction' or 'denial of access' to their premises.

A rising risk for smaller companies

Political risks and violence is a risk riser for larger companies (US$500mn+), up to #7 year-on-year, given such firms can be impacted by events in different ways and regions. However, it is also a new entry in the top 10 risks for smaller companies (<$100mn) at #10 and ranks #9 for mid-size companies (>$100mn to $500mn) globally.

Such companies tend to have a smaller footprint or a more regionalized focus which means that if their location is experiencing difficulty, it is much harder for them to mitigate potential risks such as damage to property, business interruption or disruption to supply chains and customers. They also have smaller budgets for risk management activities and to find alternative buyers or customers or relocate production.

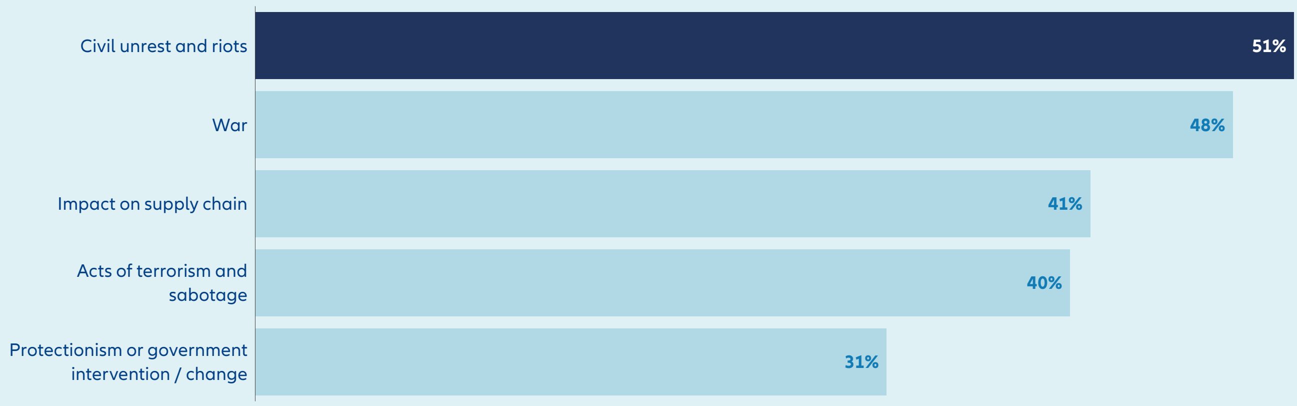
"We continue to see greater engagement from the SME and mid-corp space about these risks, a true reflection of increasing concern in this segment," says **Todorovic.**

Risk mitigation processes

Businesses need to protect their people and property with forward planning, such as ensuring safe and robust business continuity planning is in place in the event of an incident, increasing security, and reducing and relocating inventory if likely to be impacted by an event, according to **Todorovic.**

Monitoring of local and regional events and potential problems is also a small and inexpensive management tool, although the unpredictability of some political violence perils ultimately leave companies with little time to maneuver. Companies should also review whether their insurance policy covers the impact of risks such as strikes, riots, and civil commotion.

Which political risk and violence exposures are your company most worried about?
Top 5 responses



Source: Allianz Commercial
Figures represent how often a risk was selected as percentage of all responses.
Respondents: 513
Figures don't add up to 100% as up to three risks could be selected.

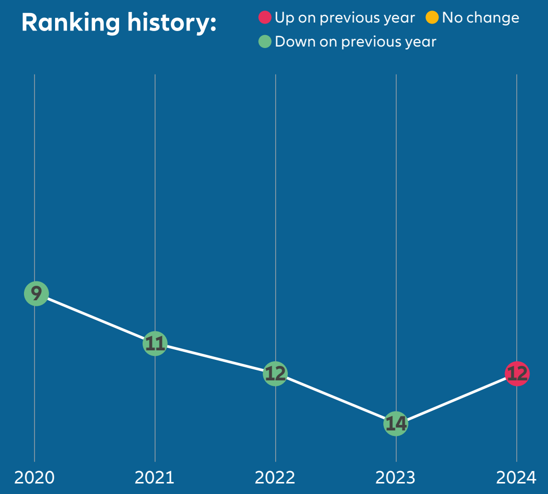
1 2 3 4 5 6 7 8 9 **10**

New technologies

10% ↑

(e.g., risk impact of artificial intelligence, connected / autonomous machines)

Ranking history:



Closely related to cyber risk is the impact of new technologies, including artificial intelligence (AI), which promises a myriad of benefits but is also a factor in this risk category returning to the top 10 global concerns for the first time in five years.

Since the launch of OpenAI's ChatGPT in 2022, the development and application of AI technology has accelerated exponentially. In a 2024 McKinsey survey[28], almost two thirds of companies (65%) say they are now regularly using generative AI, nearly double the percentage 10 months previously. However, adoption of AI is happening faster than regulation and risk controls can keep up with.

Companies have little choice but to adopt AI due to its rapid advancement, says **Daniel Muller, Emerging Risks and Trends Manager, Allianz Commercial**. Those who hesitate risk falling behind competitors and missing valuable opportunities. While technology development used to be gradual, today's fast-paced AI landscape, coupled with regulatory and legal lag, demands swift adoption.

AI is a double-edged sword, it brings benefits, but also potential risks, according to **Rishi Baviskar, Global Head of Cyber Risk Consulting, Allianz Commercial** – a view reflected in the **Allianz Risk Barometer** results. When asked about the impact AI is having on their industry or sector, 50% of respondents said they believed it brings more benefits than risks, while 35% said it was "neither a positive nor a negative" and 15% that there were more risks than benefits.

Take cyber risk. AI is being used by criminals and nation states to cause disruption or spread misinformation. But it can also help mitigate risks and build resilience.

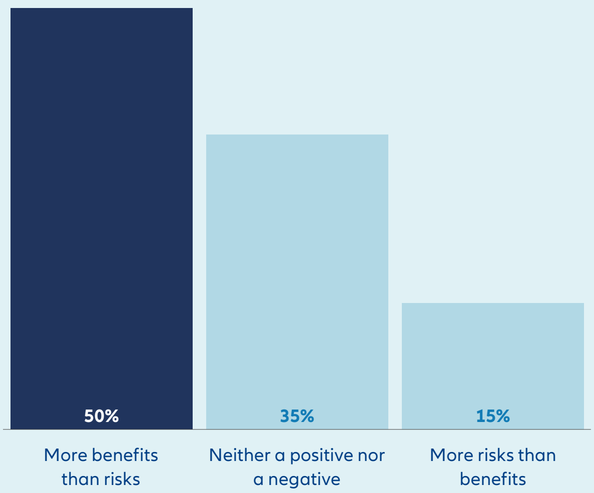
"AI can help improve processes and productivity, but it also impacts employees and raises questions in areas like ethics, privacy and cyber security. There is a balance to be found between the risks and the rewards," says **Baviskar,** who stresses that AI has also a vital role to play in helping to mitigate the impact of cyber-attacks.

While the application of AI can help prevent or mitigate risk, there can be other unintended consequences, **Michael Bruch, Global Head of Risk Advisory Services, Allianz Commercial notes:** *"AI plays a crucial role in creating solutions to lower emissions and support the transition to Net Zero, such as by enhancing the efficiency of energy generation, transmission, and consumption. However, it is important to note that AI itself demands substantial computing power and energy."*

According to Boston Consulting Group[29], AI has the potential to help mitigate 5% to 10% of global greenhouse gas (GHG) emissions by 2030. However, generative AI systems also use around 33 times more energy to complete a task than software, while Google's GHG emissions in 2023 were almost 50% higher than in 2019, largely due to the energy demand from data centers[30]. By 2026, data centers are predicted to account for over 28% of total electricity demand in Ireland. Meanwhile, the growing power demand for AI could cause blackouts in North America as the electricity grid struggles to keep up. The North American Electric Reliability Corporation, an industry watchdog[31], said that consumption is expected to rise 15% in the next decade even as coal-powered plants are shutting down.

"One mitigation action can create new problems, or even be counterproductive to the original goal. This is a major challenge going forward. Businesses will need to manage these risks and risk prevention measures holistically. It's essential to ensure that an AI-driven solution doesn't inadvertently increase risks, such as those related to climate change," concludes **Bruch.**

How do you view the impact that AI is having on your industry?



Source: Allianz Commercial
Respondents: 1,450

Top risks by company size

Smaller companies are more concerned about more localized and immediate risks, such as changes in regulation, macroeconomic developments and skill shortages, but there are also signs that some of the risks that have preoccupied larger companies are now starting to impact as well, with climate change and political risks and violence climbing the ranking.

The top risks for large (annual revenue in excess of US$500mn) and mid-sized companies ($100mn-$500mn) mirror the global picture, with cyber, business interruption and natural catastrophes as the top three risks of concern. However, a higher proportion of large company respondents cite cyber as the top risk than mid-sized and smaller companies. (43% vs 34% and 35%).

Compared with smaller firms (below $100mn), large companies are more focused on business interruption, ranking natural catastrophes, fire, and political risks higher. Yet the impact of business interruption is typically greater for smaller companies, as they do not have the scale and diversification strategies of large companies. Mid-size and smaller firms are also more likely to be overly exposed to a single large customer or supplier and typically do not have the resources to invest in business continuity planning and carry out risk assessments.

For smaller companies, changes in legislation and regulation is a particular concern. It jumps to #2 from #5 (the risk ranks #4 for mid-sized and large companies). Smaller companies also worry more about macroeconomic risks, ranking #5, two positions higher than the global findings. For large companies, political risks and violence is of greater concern, climbing one place to #7 (compared with #9 for all companies) while fire moves up one place on last year to #6.

That said, there are also signs that some of the risks that have preoccupied the thoughts of larger companies in recent years are starting to filter down to smaller ones. Climate change is up three positions year-on-year to #6 while political risks and violence is a new entry into the top 10 risks for smaller companies.

"Smaller firms typically have less adaptive capacity and ability to invest in climate transition / resilience measures or have less specialized risk management expertise compared with larger companies," explains **Lena Fuldauer, Global Sustainability and Resilience Solutions Lead at Allianz Commercial.**

"They may also have fewer resources to invest in infrastructure upgrades or continuity planning or have less flexibility in their supply chain, given there is often a higher reliance on a few suppliers or local sources and also less leverage to negotiate with suppliers to adapt."

Similarly, political risks and violence can potentially have a much bigger impact on smaller and mid- sized business compared with large multinationals for a number of reasons, explains **Srdjan Todorovic, Head of Political Violence and Hostile Environment Solutions, Allianz Commercial.**

"Such companies tend to have a smaller footprint or a more regionalized focus which means that if their location is experiencing difficulty, it is much harder for them to mitigate potential risks such as damage to property, business interruption or disruption to supply chains and customers. They also have smaller budgets for risk management activities and to find alternative buyers or customers or relocate production."

Top 10 risks for Large-size companies*

*>US$500mn annual revenue

Source: Allianz Commercial

Figures represent how often a risk was selected as a percentage of all responses for that company size

Respondents: 1,747

Figures don't add up to 100% as up to three risks could be selected

NEW New entry in the top 10 risks

1 Macroeconomic developments ranks higher than new technologies based on the actual number of responses.

2 New technologies ranks higher than market developments based on the actual number of responses.

Rank		Percent	2024 rank	Trend
1	Cyber incidents *(e.g., cyber crime, IT network and service disruptions, malware / ransomware, data breaches, fines, and penalties)*	43%	1 (41%)	→
2	Business interruption *(incl. supply chain disruption)*	36%	2 (36%)	→
3	Natural catastrophes *(e.g., storm, flood, earthquake, wildfire, extreme weather events)*	32%	3 (26%)	→
4	Changes in legislation and regulation *(e.g., new directives, protectionism, environmental, social, and governance, and sustainability requirements)*	23%	5 (20%)	↑
5	Climate change *(e.g., physical, operational and financial risks as a result of global warming)*	19%	4 (23%)	↓
6	Fire, explosion	17%	7 (17%)	↑
7	Political risks and violence *(e.g., political instability, war, terrorism, coup d'état, civil unrest, strikes, riots, looting)*	16%	8 (16%)	↑
8	Macroeconomic developments *(e.g., inflation, deflation, monetary policies, austerity programs)*[1]	12%	6 (17%)	↓
9	New technologies *(e.g., risk impact of artificial intelligence, connected / autonomous machines)*[2]	12%	9 (12%)	→
10	Market developments *(e.g., intensified competition / new entrants, M&A, market stagnation, market fluctuation)*	12%	NEW	↑

Top 10 risks for Smaller companies*

*<US$100mn annual revenue

Source: Allianz Commercial

Figures represent how often a risk was selected as a percentage of all responses for that company size

Respondents: 1,095

Figures don't add up to 100% as up to three risks could be selected

1 Macroeconomic developments ranks higher than climate change based on the actual number of responses.

Rank		Percent	2024 rank	Trend
1	Cyber incidents *(e.g., cyber crime, IT network and service disruptions, malware / ransomware, data breaches, fines, and penalties)*	35%	1 (32%)	→
2	Changes in legislation and regulation *(e.g., new directives, protectionism, environmental, social, and governance, and sustainability requirements)*	28%	5 (21%)	↑
3	Business interruption *(incl. supply chain disruption)*	26%	3 (23%)	→
4	Natural catastrophes *(e.g., storm, flood, earthquake, wildfire, extreme weather events)*	25%	2 (24%)	↓
5	Macroeconomic developments *(e.g., inflation, deflation, monetary policies, austerity programs)*[1]	18%	4 (23%)	↓
6	Climate change *(e.g., physical, operational and financial risks as a result of global warming)*	18%	9 (13%)	↑
7	Market developments *(e.g., intensified competition / new entrants, M&A, market stagnation, market fluctuation)*	17%	7 (16%)	→
8	Fire, explosion	15%	6 (20%)	↓
9	Shortage of skilled workforce	13%	8 (16%)	↓
10	Political risks and violence *(e.g., political instability, war, terrorism, coup d'état, civil unrest, strikes, riots, looting)*	11%	NEW	↑

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Powered by the employees, financial strength, and network of the world's #1 insurance brand, as ranked by Interbrand, we work together to help our customers prepare for what's ahead: They trust us to provide a wide range of traditional and alternative risk transfer solutions, outstanding risk consulting and multinational services as well as seamless claims handling.

The trade name Allianz Commercial brings together the large corporate insurance business of Allianz Global Corporate & Specialty (AGCS) and the commercial insurance business of national Allianz Property & Casualty entities serving mid-sized companies. We are present in over 200 countries and territories either through our own teams or the Allianz Group network and partners. In 2023, the integrated business of Allianz Commercial generated around €18 billion in gross premium globally.

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