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## MEDIA STATEMENT

# Allianz Risk Barometer: Cyber incidents dominate risk landscape for companies of all sizes and sectors in 2018

**Cyber incidents** will be the top risk for Australian businesses this year with companies increasingly concerned about changing regulation and high profile attacks, according to the Allianz Risk Barometer 2018. This is one of the key findings of the seventh **Allianz Risk Barometer**, which is published annually by Allianz Global Corporate & Specialty (AGCS). The 2018 report is based on the insight of a record 1,911 risk experts from 80 countries.

In Australia, **Cyber incidents** tops the risk list for the first time with 49% of responses, up from third (31% of responses) in 2017. The risk usurped **Business interruption**, which dropped to second place this year with 46% of responses.

AGCS Australia Chief Executive Willem Van Wyk says the change in risks was likely owing to the new mandatory data notification laws that come in to effect in Australia on 22 February.

"Cyber risk is a 24/7 threat that continues to dominate board discussions both here in Australia and around the world as companies grapple with this fast-evolving risk," Van Wyk says.

The risk of **New technologies** was also a big mover in Australia's risk list this year. It jumped from seventh place in 2017 to equal third (alongside **Changes in legislation and regulation**) with 28% of responses. "Australia's top risks paint an interesting picture of the local business landscape, with companies clearly concerned about how new technologies will either help or hinder their operations, and what the regulatory environment will do in response," Van Wyk says.

### Top 10 risks in Australia

	Rank	Percent	2017 rank	Trend
1.	Cyber incidents (e.g. cyber crime, IT failure, data breaches)	49%	3 (31%)	↑↑
2.	Business interruption (incl. supply chain disruption)	46%	1 (51%)	↓↓
3.	Changes in legislation and regulation (e.g. government change, economic sanctions, protectionism, Brexit, Eurozone disintegration)	28%	4 (23%)	↑
4.	New technologies (e.g. impact of increasing interconnectivity, nanotechnology, artificial intelligence, 3D printing, drones)	28%	7 (18%)	↑
5.	Loss of reputation or brand value	26%	7 (18%)	↑
6.	Natural catastrophes (e.g. storm, flood, earthquake)	26%	6 (21%)	↑↑
7.	Market developments (e.g. volatility, intensified competition / new entrants, M&A, market stagnation, market fluctuation)	21%	2 (44%)	↓↓
8.	Quality deficiencies, serial defects, product recall NEW	13%	-	↑
9.	Climate change/increasing volatility of weather NEW	10%	-	↑
10.	Talent shortage NEW	10%	-	↑

### Global results

Globally, **Business interruption** (# 1 with 42% of responses / # 1 in 2017) and **Cyber incidents** (# 2 with 40% of responses, up from # 3 in 2017) are this year's top business risks globally, according to the report. Larger losses from natural catastrophes (# 3 with 30% of responses, up from # 4 in 2017) are also a rising concern for businesses, with the record-breaking 2017 disaster year also ensuring **Climate change and increasing volatility of weather** (# 10) appears in the top 10 most important risks for the first time.

Meanwhile, the risk impact of **New technologies** (# 7 2018 / # 10 2017) is one of the biggest climbers, as companies recognize innovations such as artificial intelligence or autonomous mobility could create new liabilities and larger-scale losses, as well as opportunities, in future. Conversely, businesses are less worried about **Market developments** (# 4 2018 / # 2 2017) than 12 months ago.

### **Cyber risks continue to evolve**

**Cyber incidents** continues its upward trend in the Allianz Risk Barometer. Five years ago it ranked # 15. In 2018 it is # 2. Multiple threats such as data breaches, network liability, hacker attacks or cyber BI, ensure it is the top business risk in 11 surveyed countries and the Americas region and # 2 in Europe and Asia Pacific. It also ranks as the most underestimated risk and the major long-term peril.

Recent events such as the WannaCry and Petya ransomware attacks brought significant financial losses to a large number of businesses. Others, such as the Mirai botnet, the largest-ever distributed denial of service (DDoS) attack on major internet platforms and services in Europe and North America, at the end of 2016, demonstrate the interconnectedness of risks and shared reliance on common internet infrastructure and service providers. On an individual level, recently identified security flaws in computer chips in nearly every modern device reveal the cyber vulnerability of modern societies. The potential for so-called "cyber hurricane" events to occur, where hackers disrupt larger numbers of companies by targeting common infrastructure dependencies, will continue to grow in 2018.

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AGCS SE is rated AA by Standard & Poor's and A+ by A.M. Best.

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