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# 12th Annual Survey of Emerging Risks

By Max Rudolph



*Editor's note: This article was originally published as an executive summary in conjunction with the full report of the 12th Annual Emerging Risks Survey. The full report is available on the Society of Actuaries website at [www.soa.org/resources/research-reports/2019/12th-emerging-risks-survey/](http://www.soa.org/resources/research-reports/2019/12th-emerging-risks-survey/).*

For the first time in the survey's history, climate change ranked as both the top current risk and the leading emerging risk—breaking cyber risk's four-year streak as number one—according to the 12th Annual Emerging Risks Survey from the Joint Risk Management Section (JRMS) of the Canadian Institute of Actuaries (CIA), the Casualty Actuarial Society (CAS) and the Society of Actuaries (SOA).

## EMERGING RISK TRENDS

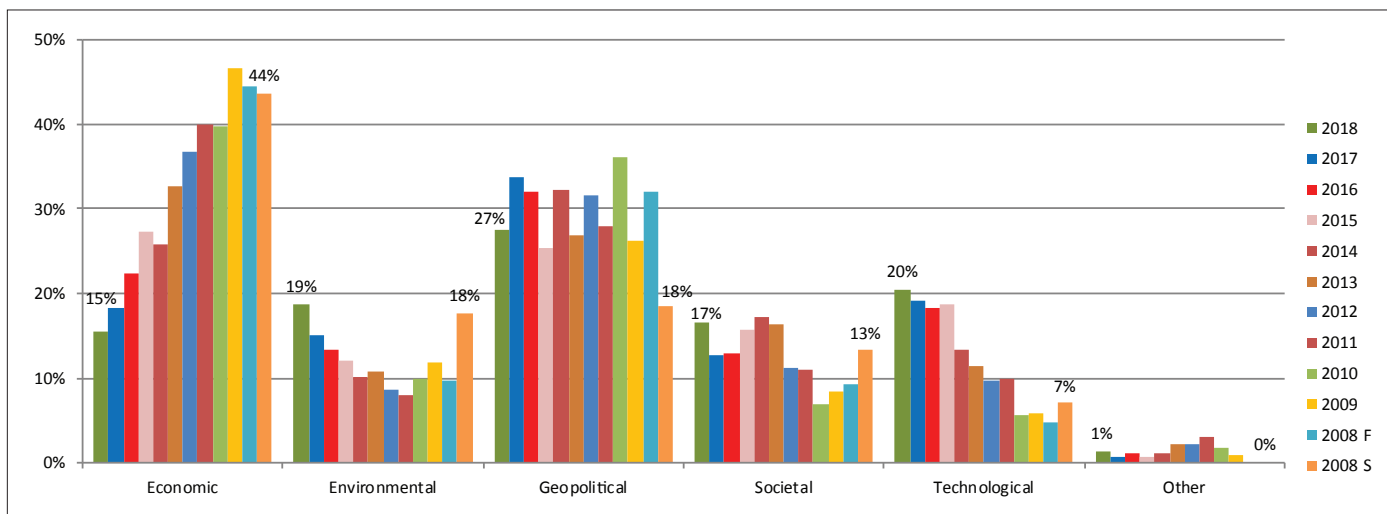
When survey respondents were asked to choose five emerging risks, the trend over the history of the survey shows economic risks reducing relative to environmental and technological,

with geopolitical risks experiencing spikes typically in even-numbered election years prior to the current U.S. administration (see Figure 1).

## CLIMATE CHANGE TAKES THE TOP SPOTS

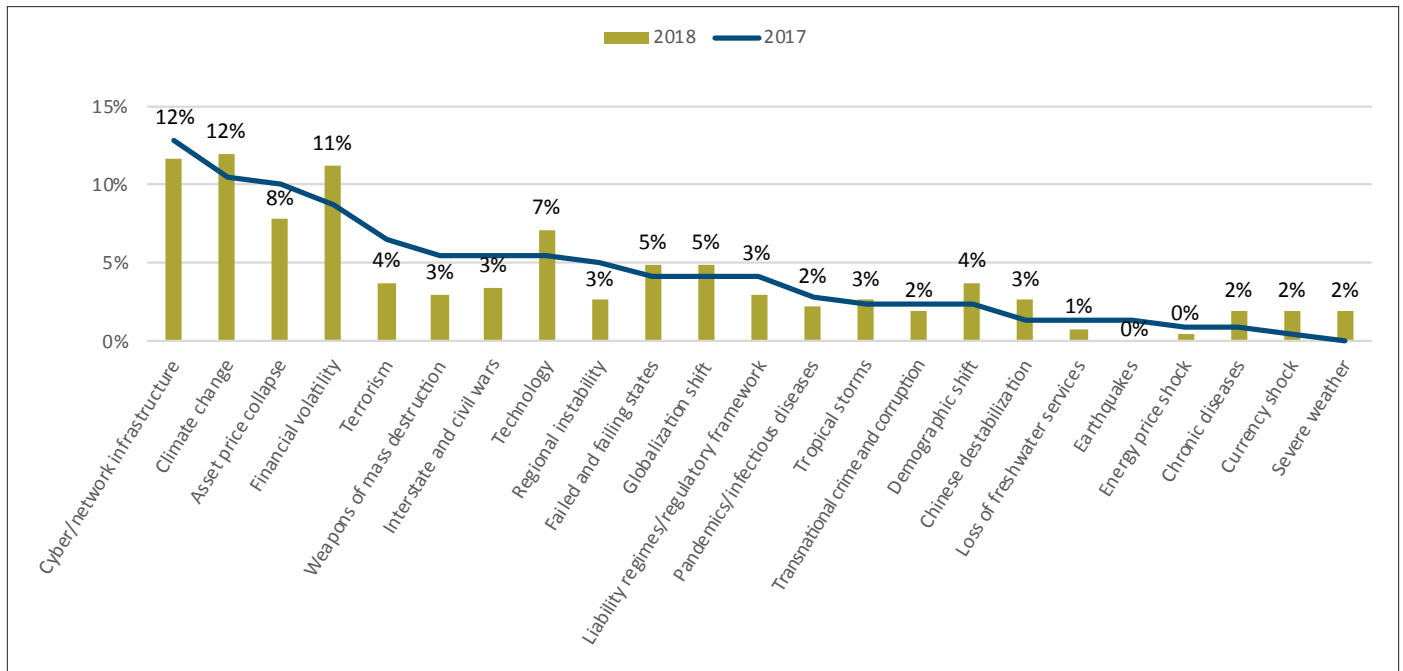
According to the survey fielded in November 2018, risk managers perceive climate change, cyber risk and financial volatility to be the three greatest current risks. While climate change edged out other risks this year, it is important to note that cyber risk—the previous top risk—is still a strong threat, ranking second among the current risks. The top emerging risks, as ranked by 267 risk managers from across the globe, follow a similar pattern, with climate change ranking first (22%), cyber risk ranking second (15%) and technology in third place (13%) (see Figure 2).

Figure 1  
Emerging Risks by Category



Note: Up to five risks were chosen per survey response.

Figure 2  
Top Current Risk, Year-Over-Year



### YEAR-OVER-YEAR COMPARISONS

- Climate change surpassed cyber risk as the top current risk, top emerging risk and top emerging risk combination. However, cyber risk remained first when respondents were asked to rank the top five emerging risks, at 56%.
- Geopolitical risk maintained the lead in 2018 among emerging risks by category, but the risk level decreased from 2017. This is unusual given that this category historically increases during even-numbered national election years. The change could be attributed to a decrease in rankings among the top five emerging risks across terrorism, regional instability, weapons of mass destruction and liability regimes.
- While global economic expectations remain relatively stable, they are down from the prior survey with a majority (67%) forecasting moderate or poor expectations for 2019.
- After dropping off the top five emerging risks list in 2017, financial volatility has reappeared, ranking number five.

Demographic shift has also appeared for the first time since 2013.

- Societal risk as an emerging risk category increased due to the combined impact of an influx of pandemics and infectious diseases, as well as the demographic shift risk.

### NAMING CONVENTION

The survey respondents chose frequency and severity as their preferred description of how often an event could occur and how bad it could be. ■

*The 13th Annual Emerging Risks Survey will begin in early 2020.*



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