Overview

1. The French insurance and reinsurance industry has completed its 7th Risk Map

This Risk Map was drawn up by the Risk Analysis Commission of France Assureurs by surveying the sector's senior executives at the end of 2023. For each of the identified risks, assigned to one of six categories (economic, environmental, social and societal, technological, political, and regulatory), the participants provided their assessment of the direct impact on the insurance or reinsurance company in terms of frequency and severity over the next five years. They also highlighted the main opportunities that these risks present to the profession.

A total of 230 risks managers from 40 insurance and reinsurance companies representing 94% of assets and 93% of the sector's turnover in France, contributed to the 7th edition of the risk map.

2. Cyber-attacks, climate change and the economic environment are the main threats reported by the industry over the next five years
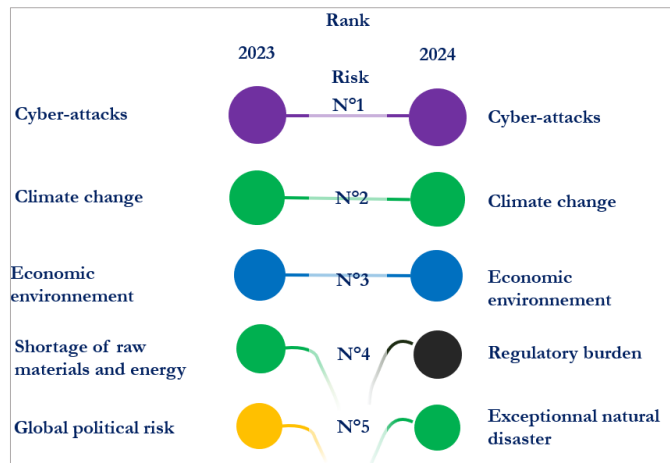
While the positions of the top three remain unchanged from the previous edition, the difference between their scores is noticeably diminishing.

Cyber-attacks risk (4,0; 4,2)[1] barely maintains its position at the top of the ranking for insurance and reinsurance companies. This risk has held its position since the first edition of the risk map. Although its score changes little, companies continue to implement security measures and protocols, while the severity of attacks could increase due to the geopolitical context and the emergence of new techniques related to artificial intelligence.

Climate change risk (4,0; 4,1) significantly intensifies in both frequency and severity. Despite being spared in the first half, 2023 was again marked by unprecedented losses with severe storm events and unprecedented floods in the northern French departments of Nord and Pas-de-Calais. Worldwide, losses are also particularly high, with an estimated economic cost of $260 billion and insured losses surpassing $100 billion for the 4th consecutive year[2]. More specifically, damages from severe storm events, amounting to $60 billion, is twice the average of the last ten years. Beyond the 2023 losses, climate change will have harmful effects in the medium and long terms by increasing the frequency and severity of climate events.

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[1] The score (frequency; severity) has a minimum of (0; 0) and a maximum of (5; 5).

[2] Swiss Re Institute, Insured losses from severe thunderstorms reach new all-time high of USD 60 billion in 2023, Swiss Re Institute estimates ,7 December 2023

	Rank	
2023		2024
Cyber-attacks	Risk N°1	Cyber-attacks
Climate change	N°2	Climate change
Economic environnement	N°3	Economic environnement
Shortage of raw materials and energy	N°4	Regulatory burden
Global political risk	N°5	Exceptionnal natural disaster

The **economic environment** (3,9; 3,9) completes the top three risks, also developing strongly in frequency and severity amid high inflation, tightening monetary policy, and declining demand. The sharp slowdown in activity raises concerns about a recession in several advanced economies around the turn of 2023-2024.

Since the first edition of the risk map, the top three risks have never been so close in the ranking or reached such high levels.

3. **The potential severity of all risks increases, exacerbating regulatory risks with potential feedback effects on economic risks**

The results of the 7th edition of the risk map highlight an increase in severity scores for almost all risks. Faced with rising risks, regulatory pressure is often the legislator's response. Thus, the insurance sector, due to its diverse involvement in the economy, faces a risk of **regulatory overload**. Primarily identified as short-term risks, these risks could affect insurance as early as 2024, especially through European directives on Corporate Sustainability Reporting (CSRD) and Retail Investment Strategy (RIS). While these regulations help mitigate the occurrence of risks, they may also have the side effect of limiting the insurance industry's ability to address new risks. In this respect, risk experts note a decrease in the frequency of systemic and transition risks accompanied by a significant increase in their severity.

4. **Five of the 25 risks are also perceived as opportunities for insurers to enhance services**

Emerging risks reveal new needs that insurers and reinsurers have to address. For many stakeholders, **artificial intelligence** represents the primary focus for the sector. The release of mainstream AI generative tools in 2023 opens new avenues for improving work processes, propelling this new risk directly to the top position of challenges. In contrast, efforts to establish insurance products covering cyberattacks reach a certain level of maturity. Therefore, **Cyber risk**, the top threat since the first edition of this mapping, is no longer in the top 5 opportunities for the profession.

Opportunities for the insurance and reinsurance sector

2024

Data quality and algorithmes
0,8

0,7

0,7

Climate change
0,9

Climate change
1,4

Demographic balances
1,7

Transition risk
1,9

Artificial Intelligence
3,0

Data quality
2,3

Transition risk
1,6

Climate change
2,1

Cyber-attacks
1,6

Demographic balances
1,5

0,8

0,8

0,6

0,6

0,6

2023