



# Emerging Risks Survey 2018

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# Editorial

Understanding emerging risks before they fully materialize is crucial if we want to be able to tackle them.

But thinking about what could possibly happen ten years from now is no easy task. Indeed, taking a step back from day-to-day preoccupations is a difficult exercise most are not accustomed to. Furthermore, each of us is heavily influenced by biases coming from our professional and personal background, the media sources we use, the region where we live, the topics we have an interest in. All contribute to the way we perceive the world around us, and the risks that come along.

This perception is key when it comes to risks that have not emerged yet. Public perception of an emerging risk can change its course and scale of emergence, because it can influence regulators, policymakers, businesses, investors, researchers, and even insurance customers.

This is why, for the fifth year in a row, we asked stakeholders who are part of AXA's ecosystem – employees, academics, corporate clients, brokers, insurance experts, civil society – to share their views on emerging risks that could have major implications for society at large in 2025.

We gathered insights from 1235 respondents – 1060 AXA employees and 175 external stakeholders – coming from 50 countries and from different professional backgrounds. Through an online questionnaire, they selected 5 emerging risks out of 25 and ranked them, based on their potential impact on society. Additional questions pertained to the main concern, the pace of emergence and the level of awareness associated with the selected risks.

**“The Emerging Risks Survey offers a snapshot of the forecasted state of the world at large.”**

As a result, the Emerging Risks Survey offers a snapshot of the forecasted state of the world at large. It helps us to better understand and proactively prepare for the emergence of risks that are most preoccupying for our stakeholders.

**The Group Emerging Risks team**

# Who are we?

The Emerging Risks Team ensures that all new, ever-evolving and potentially disruptive risks are in the radar of the AXA Group. Our team was created in 2005 with the objective to proactively anticipate risks. We have implemented a series of steps to ensure proper and timely management of emerging risks:

— We identify long-term trends, hot topics and weak signals, in collaboration with a network of experts with very different backgrounds, coming from both insurance and academia. This is how we build our 360-degree view of the emerging risk landscape.

— We constantly monitor more than a hundred emerging risks. These risks may develop over time and have a significant impact on AXA's clients and employees, and this is why we focus on capturing their pace of emergence.

— We assess the potential severity of emerging risks, based on inputs from our points of contact in all AXA entities. Their local views complement our global approach to emerging risks, ensuring that we fully understand the nature of the risks.

— We prepare for the risks that AXA may face by developing prevention and mitigation strategies, raising awareness of what the future may hold, and working closely with key stakeholders to foster new opportunities.

Better understanding and preparing for emerging risks is a goal shared by the thousands of people worldwide who are part of AXA's Emerging Risks network. By focusing on their perception of emerging risks, we strive to show how we can collectively address tomorrow's challenges.



**H el ene Chauveau**

**HEAD OF EMERGING RISKS**



**Estelle Hasco t**

**EMERGING RISKS ANALYST**



# **Global presentation**

# Key takeaways

The Emerging Risks Survey aims to capture the way people from AXA's ecosystem perceive emerging risks. Gathering the views from more than 1200 respondents (including 1060 AXA employees and 175 external stakeholders), this year's edition shows which topics are perceived to be most worrisome for society at large in 2025. How we perceive a risk can change its course and scale of emergence, because it can influence regulators, policymakers, businesses, investors, researchers, and even insurance customers. Better understanding our perception can also help to identify biases, concerns and blind spots in our approach to risks.

## **What are the top emerging risks of this year?**

For three consecutive years, respondents selected climate change and cyber security risks as part of their top emerging risks, at 63% and 54% respectively. These proportions have almost doubled since last year, highlighting the strong conviction of respondents that these issues are the two main emerging risks for society at large. Is it because both are man-made global threats, with far-reaching implications that can be experienced in our everyday lives? How is the media treatment of these risks, which are recurrent themes in entertainment and often sensationalized, influencing our perception?

## **What is the main obstacle to tackle the most important risks?**

For decades, the world order has relied on a steady geopolitical equilibrium and robust international institutions, ensuring a common regulatory playground. This so-called "globalized multilateralism" is now more than ever under attack, and this raises several questions when it comes to global emerging risks. How can we face challenges such as cyber security and climate change without internationally coordinated policy answers? Is rising unilateralism become the number one risk driver?

## **Which risks have dropped in importance?**

Ten years after the financial crisis, risks related to financial instability, macro-economic trends and monetary policies are nowhere near the top of the ranking. Is the current financial system considered to be stronger than the pre-crisis one? Are we missing some important signals, which could mean that we are not prepared to face another crisis? Are we suffering from collective amnesia regarding economic and financial risks?

## **What risks could be dangerous due to lack of awareness?**

We identified emerging risks that are perceived to be very poorly known by society at large. Raising awareness on topics such as long-term exposure to harmful substances, ethical considerations regarding the use of technology, and pollution risks, would not only contribute to the broader risk dialogue but could also change the course and pace of emergence of such issues.

# Which emerging risks will be most preoccupying by 2025?

- Environment & energy
- Technology & data
- Society, politics and regulation
- Medicine & health
- Economy, finance & business environment



## Environment & energy

Alongside climate change (#1), on which there is a very clear consensus, other environmental risks are also in the spotlight. Risks related to natural resources management (#4) and pollution (#8) show that human activity can be the greatest danger to human well-being, sustainability and eventually growth.

## Technology & data

Cyber security risks (#2) are very preoccupying for most respondents. Other risks stemming from the use of new technologies are also prominently featured, often impacting various areas at the same time: health, environment, economy, security... For instance, Artificial Intelligence (#6) can significantly enhance medical diagnosis (#9), while being used to develop more sophisticated cyber-attacks compromising national security (#7).

## Society, politics and regulation

Geopolitical issues (#3) made a breakthrough this year, alongside growing social concerns (#5). Surging populism and protectionism as well as the rise of alternative models to the Western democratic standards may explain why respondents, mostly in Europe and North America, feel that the world could become more unstable by 2025. The decline of international governance and accord may also hinder global responses needed to face global risks.

## Economy, finance & business environment

Economic risks are noticeably absent from the ten first places: it can be interpreted as a sign of confidence in the current financial system or as people perceiving other risks to be more significant than a potential economic slowdown. Accordingly, ten years after the 2008 crisis and given the recent turmoil in financial markets, it is quite interesting to see that respondents do not foresee significant emerging economic and financial risks in the coming years.

## Medicine & health

Medical risks are not at the forefront either, which does not come as a surprise. Since 2014, no risk related to medicine and health has ever reached the top five. This may be due to the somewhat lesser attention given by the media to these topics, which are considered to be part of the private sphere, unless a major public health crisis such as a pandemic (#10) is unfolding and threatening lives. Given demographic trends, medical issues are poised to become more prevalent in coming years.



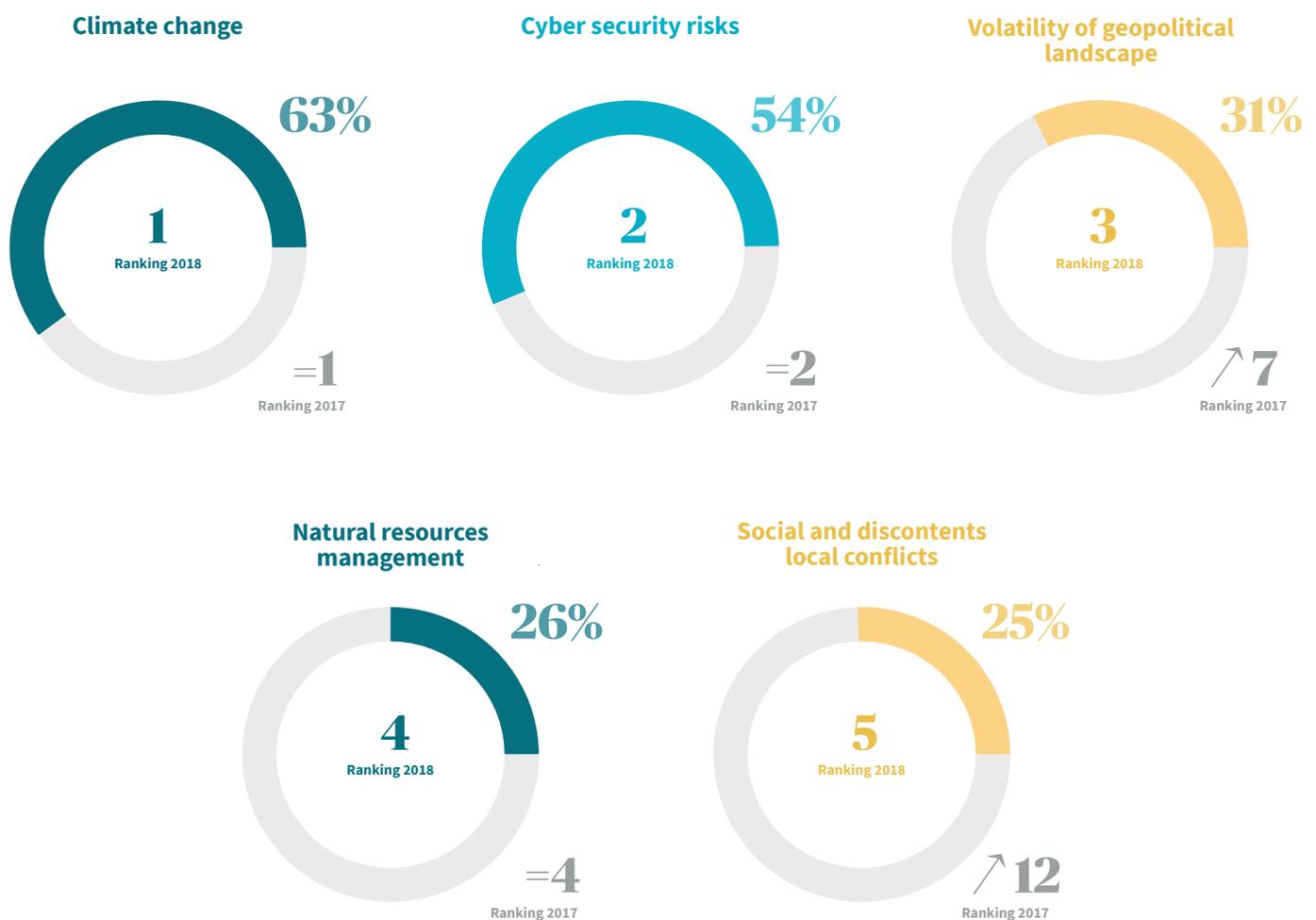
**Focus on  
the 5 main  
emerging risks**

# Evolution and key features

■ Environment & energy   ■ Technology & data   ■ Society, politics and regulation

The focus of our analysis is on the top five emerging risks because they were selected by at least 25% of respondents to our Survey. As shown below, the evolution of the ranking over the years allows to spot long-term trends in the perception of emerging risks.

Percentage of respondents who selected the risk as part of their top five



# Overriding trends

## **Emerging risks are strikingly more and more interconnected**

A transversal and multidisciplinary perspective is crucial to understand the interconnections between risks. Not only are emerging risks influenced by the same factors, but they also influence each other. They cannot be considered in silos as many of them are intertwined. For instance, looking into medical innovation implies considering risks related to the emerging technologies driving innovation, as well as the societal, economic and regulatory environment in which innovation may thrive.

## **Shifting demographics are driving the emergence of risks**

The top emerging risks from our Survey highlight the cross-cutting and overarching issue of demographics. Indeed, population growth is transforming the risk landscape, and so are demographic trends such as ageing and migration. These changes in population affect the economic, geopolitical and societal dynamics on the international, regional and local scale. Longevity is a challenge to the management of resources, especially given the increase in demand and the scarcity of supply, and it also brings new questions in terms of healthcare.

## **Converging perception of global risks**

Perception of emerging risks is converging across the world when it comes to the top two emerging risks: climate change and cyber security risks. This is due to the global nature of these threats, which can have implications in all geographical areas. However, the scale and magnitude of risk emergence differ from one region to another. For example, cyber risks are not the same in Africa, Asia and in North America, due to varying technological developments and presence of high-value targets for hackers.

# #1 Climate change

## ENVIRONMENT & ENERGY

Climate change is the number one threat for the fourth year in a row. It is perceived as the biggest challenge for society in most regions and by most professional sectors. Since last year, **the percentage of respondents who selected this risk in their top five rose significantly, from 39% to 63%.**

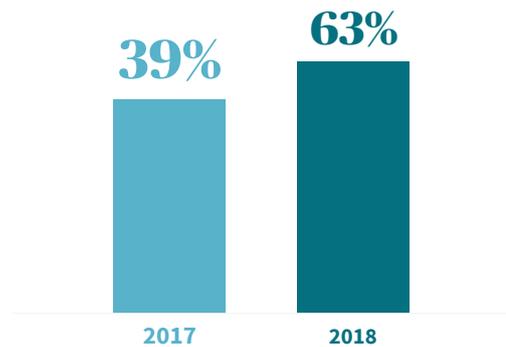
Climate change is perceived to be a pressing issue, with 51% of respondents saying that the risk has already emerged. The way it evolves, and to which extent it does evolve, depends on our ability to take action and influence the current course of events.

There are several reasons to worry, as shown by the recent Intergovernmental Panel on Climate Change report on 1.5°C global warming. The target set by the Paris Agreement will likely not be met unless radical and far-reaching action is taken, which does not appear to be a priority everywhere across the globe.

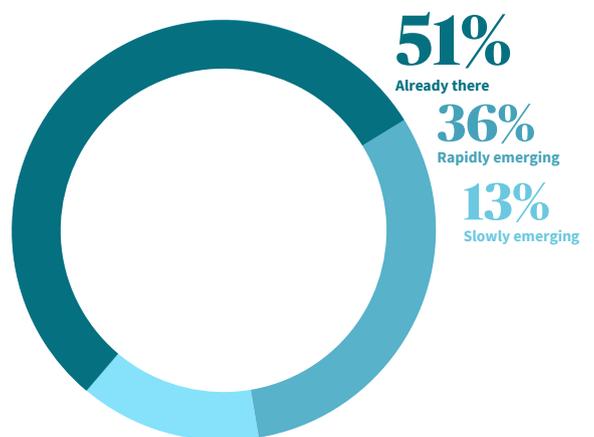
### Main concerns

An overwhelming majority of respondents selected the physical risks of climate change (90%) as their main concern. The patterns of certain weather events are changing, making them unpredictable, and exposure is increasing, due to the concentration of people and goods in vulnerable areas. Weather-wise, 2018 has proven to be particularly extreme, from heatwaves to floods, hurricanes and rainstorms across the globe. Though [not all can be easily linked back to climate change](#), these events are a daily reminder that climate change is happening, and that more extreme events are to be expected in the coming years.

Share of respondents who selected the risk



Estimated pace of emergence



# #2

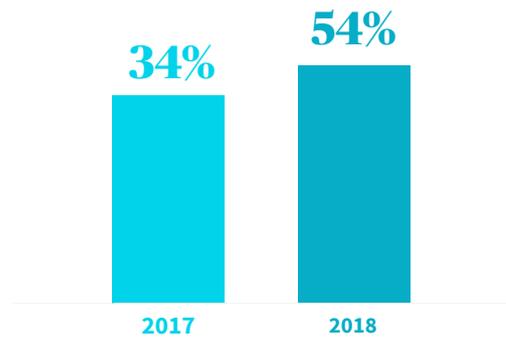
## Cyber security risks

### TECHNOLOGY & DATA

Cyber security is a significant issue for states, political parties, companies and individuals alike. Yet, threats coming from the cyber space are still difficult to fully grasp, due to the constant evolution of targets, sources, types of attack and skills needed to carry them out.

Exposure to different types of cyber risk is increasing as Internet access continues to grow everywhere and organizations rush to adopt new technologies. These open new doors for cyber criminals who manage to bypass security measures by developing sophisticated attacks or leveraging poor phishing awareness. This is why **54% of respondents consider cyber risks to be rapidly emerging.**

Share of respondents who selected the risk



### Main concerns

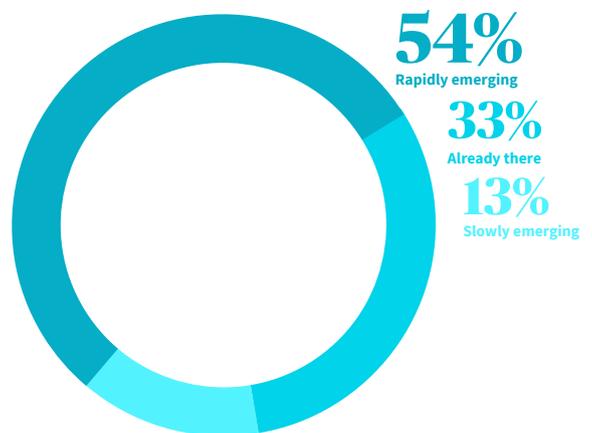
Respondents sense the threat of cyber risks, but there is no clear consensus on the main reasons for concern, as shown by the diversity of answers. Indeed, due to the complex and evolving nature of cyber risk, respondents expressed several concerns:

**Cyber-physical attacks can hit critical infrastructures** (32%) and cause severe disruptions in energy and water supply, telecommunications, transportation.

**Connected devices are increasingly vulnerable** (32%), especially with the development of the Internet of Things and connected vehicles.

**New types of malware are also a threat** (21%), such as ransomware which hackers can use and threaten to leak data or block access to IT systems until a ransom is paid.

Estimated pace of emergence



# #3

## Volatility of the geopolitical landscape

### SOCIETY, POLITICS AND REGULATION

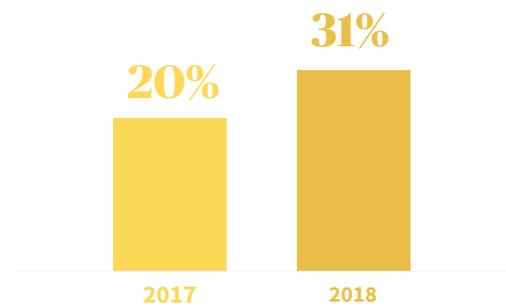
For the first time since the launch of the Emerging Risks Survey, it is now part of the top five emerging risks. Renewed political tensions, turmoil caused by new players in the international arena, and rising macro-trends disrupting the status quo have made geopolitical risks **the 3rd most concerning issue for respondents**. They rose from the 7th spot since last year, and **45% of respondents consider them to be rapidly emerging**.

The overall geopolitical landscape is a good example of interconnection between risks: it is impacted by what is happening in the economic, social and environmental realms, and in return this geopolitical volatility generates a lot of uncertainty for the public and private sectors.

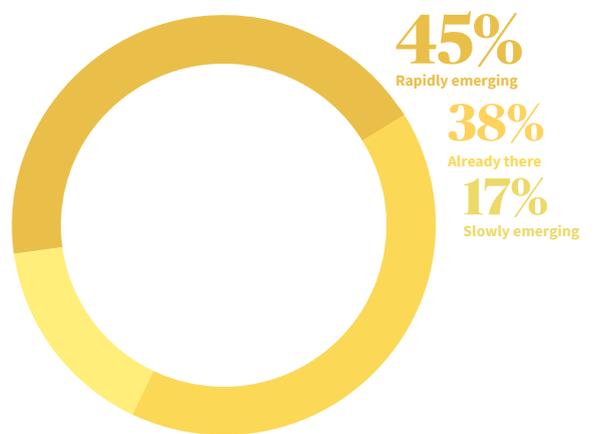
#### Main concerns

Many respondents are particularly preoccupied by the rise of nationalist and populist movements (71%), not only in Europe and in the United States but also in other countries such as the Philippines and Brazil. They are seen as a threat due to the policy shifts and market volatility they may cause. This trend is closely related to another topic that gained visibility in the past few months: the decline of multilateralism and international governance (10%). This can be significant in terms of global policymaking and regulation, which can affect the way global challenges – such as climate change and cyber risks - are tackled.

Share of respondents who selected the risk



Estimated pace of emergence



# #4

## Natural resources management

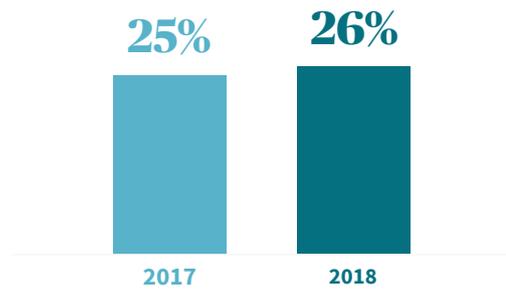
### ENVIRONMENT & ENERGY

The management of natural resources was in second place in the 2015 Emerging Risks Survey, and it has remained in the top five ever since. Natural resources such as land, water, air, minerals, forests, fisheries, and wild flora and fauna, provide the ecosystem services that are essential to human life. These resources are in jeopardy due to human activities, which negatively affects our quality of life. Unsustainable management of natural resources cannot be disconnected from climate change, energy transition and pollution, of which they are both a cause and a consequence. In addition, these risks are major drivers of social, political and economic instability, as already seen in environmentally stressed regions, such as the Middle East.

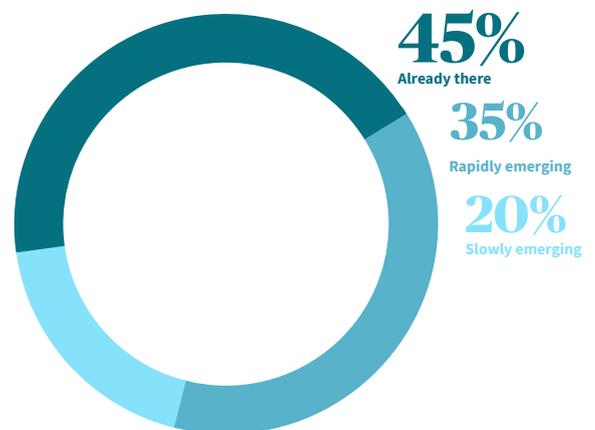
#### Main concerns

Respondents are most concerned about the risks of **over-consumption of resources** (49%). They are aware that with current levels of demographic and economic development, we already consume [more than what our planet can offer us](#). They also highlighted the closely related environmental issues of **biodiversity loss, unsustainable land use, deforestation and desertification** (42%).

Share of respondents who selected the risk



Estimated pace of emergence



# #5

## Social discontent and local conflicts

### SOCIETY, POLITICS AND REGULATION

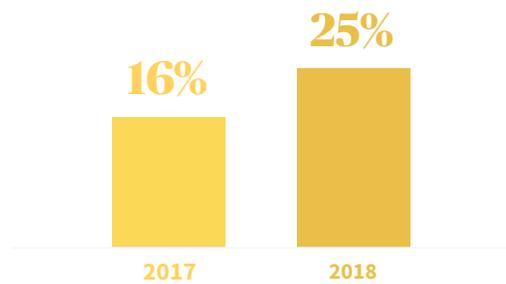
The emerging risk of political and social unrest has become more substantial this year, as it **moved up from the 12th to the 5th spot**. Growing societal discontent may have implications on economic activity and overall political stability. Exacerbating this risk are social network platforms that allow or push fake news, extreme views, and controversial speech.

Local and international political tensions are closely interrelated, as social discontent may for instance fuel the rise of nationalism and populism and geopolitical imbalances may lead to local conflicts. Environmental concerns such as climate change and resource depletion may also be aggravating factors for the risk of political and social unrest: a study recently showed a [link between rainfall, inequality and conflict in Africa](#).

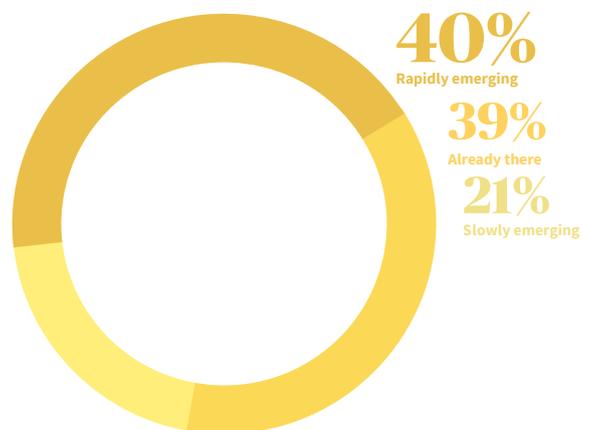
#### Main concerns

According to the respondents, **growing economic inequalities** (40%) are one of the major causes of social conflict and instability: the divide is widening between the “haves” and the “have-nots”, and access to vital resources, such as shelter, food or water, is becoming a privilege in some regions. Many societies are also experiencing **tensions related to influx of migrants or territorial issues** (34%). In addition, governments are perceived as helpless in the face of these challenges by some respondents.

Share of respondents who selected the risk



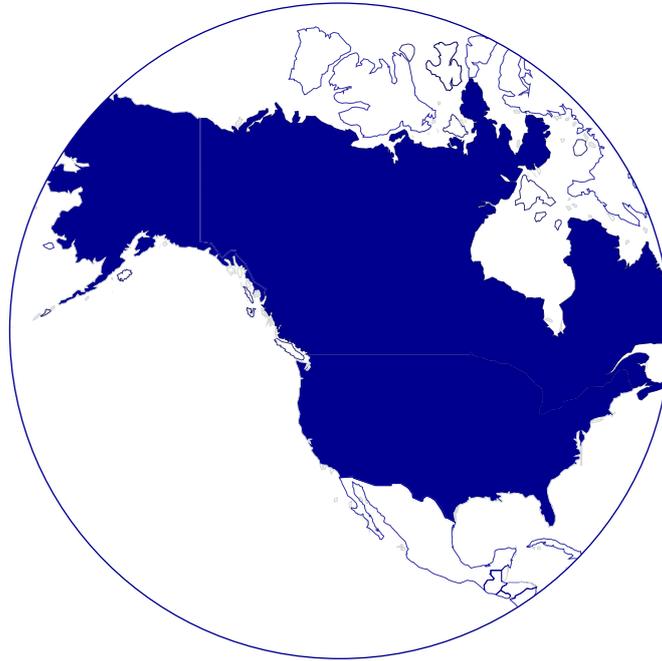
Estimated pace of emergence





# The regional perceptions of emerging risks

# North America



- 1 **Climate change**  
ENVIRONMENT & ENERGY

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- 2 **Cyber security risks**  
TECHNOLOGY & DATA

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- 3 **Volatility of geopolitical landscape**  
SOCIETY, POLITICS AND REGULATION

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- 4 **Social discontent and local conflicts**  
SOCIETY, POLITICS AND REGULATION

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- 5 **Natural resources management**  
ENVIRONMENT & ENERGY

## **“The greatest risks come from the combination of the risks”**

The greatest risks come from the combination of the risks identified, for example climate change driving migration driving changed employment driving changed health profiles; cyber and psyops attacks undermining faith in institutions and national identity leading to weakened security / inadequate defenses.

**- RESPONDENT FROM UNITED STATES**

# Central & South America



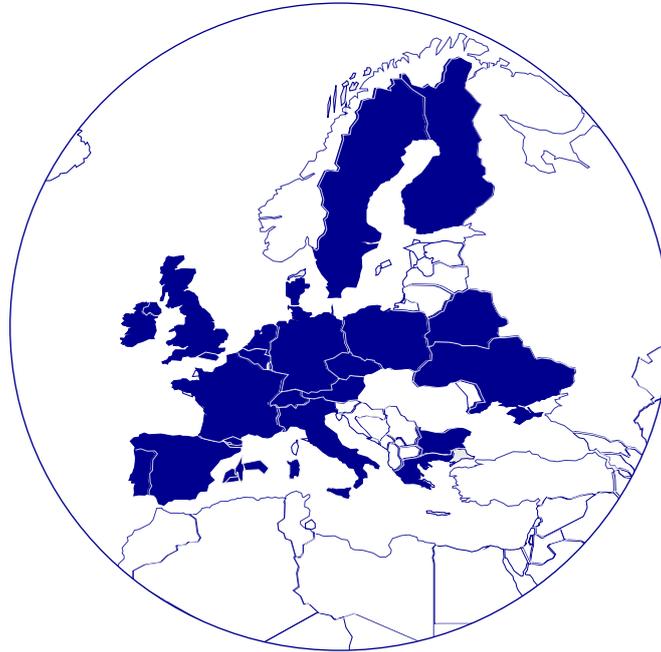
- 1 **Climate change**  
ENVIRONMENT & ENERGY
- 2 **Cyber security risks**  
TECHNOLOGY & DATA
- 3 **Natural resources management**  
ENVIRONMENT & ENERGY
- 4 **Social discontent and local conflicts**  
SOCIETY, POLITICS AND REGULATION
- 5 **Medical innovations and use of technology in healthcare**  
MEDICINE & HEALTH

**“Geopolitical issues are of a very high impact on world society”**

I believe that geopolitical issues are of a very high impact on world society and the tendency towards populism and manipulation of public opinion to obtain power are further unbalancing the forces of power in the world. This has impacts on all the other emerging risks analyzed by the survey, so I believe that this issue is the most delicate of all.

- RESPONDENT FROM COLOMBIA

# Europe



- 1 **Climate change**  
ENVIRONMENT & ENERGY
- 2 **Cyber security risks**  
TECHNOLOGY & DATA
- 3 **Volatility of geopolitical landscape**  
SOCIETY, POLITICS AND REGULATION
- 4 **Social discontent and local conflicts**  
SOCIETY, POLITICS AND REGULATION
- 5 **Artificial intelligence and big data**  
TECHNOLOGY & DATA

**“There is a growing disdain for academic and specialist knowledge”**

I think there is a growing disdain for academic and specialist knowledge, exacerbated by the weakening of institutions, that affects all manner of other emerging risks, including things like the emergence of super bugs and geopolitical tensions.

**- RESPONDENT FROM UNITED KINGDOM**

# Africa



- 1 **Climate change**  
ENVIRONMENT & ENERGY
- 2 **Cyber security risks**  
TECHNOLOGY & DATA
- 3 **Social discontent and local conflicts**  
SOCIETY, POLITICS AND REGULATION
- 4 **New threats to security**  
SOCIETY, POLITICS AND REGULATION
- 5 **Macro-economics risks**  
ECONOMY, FINANCE & BUSINESS ENVIRONMENT

**“We are going to see a weakening of social safety nets.”**

As longevity increases and countries reduce immigration of skilled workers, we are going to see a weakening and in some cases the disappearance of social safety nets, even in well developed economies. We are also going to see scarcity of resources as the world population increases. There will be friction amongst a lot of the developed countries as they each all try to woo the developing countries rich in natural resources , land especially.

**- RESPONDENT FROM NIGERIA**

# Asia



- 1 **Climate change**  
ENVIRONMENT & ENERGY
- 2 **Cyber security risks**  
TECHNOLOGY & DATA
- 3 **Artificial intelligence and big data**  
TECHNOLOGY & DATA
- 4 **New threats to security**  
SOCIETY, POLITICS AND REGULATION
- 5 **Medical innovations and use of technology in healthcare**  
MEDICINE & HEALTH

**“The IoT powered by the IA could amplify security risk.”**

The Internet of Things (IoT) powered by Artificial Intelligence (AI) could seriously amplify security risk and cause data privacy issues seriously. Those technologies would be a double-edged sword.

- RESPONDENT FROM JAPAN

# Middle East



- 1 **Cyber security risks**  
TECHNOLOGY & DATA

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- 2 **Climate change**  
ENVIRONMENT & ENERGY

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- 3 **Natural resources management**  
ENVIRONMENT & ENERGY

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- 4 **Volatility of geopolitical landscape**  
SOCIETY, POLITICS AND REGULATION

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- 5 **Social discontent and local conflicts**  
SOCIETY, POLITICS AND REGULATION

**“It seems that we are heading to further «unrest» for the next 10-20 years.”**

Interlocked events of troubling economies, geopolitical and military conflicts whereby it seems the UN and other global organizations are unable to adequately handle such conflicts of civilizations and other inter-social conflicts. It seems that we are heading to further «unrest» for the next 10-20 years.

**- RESPONDENT FROM LEBANON**

