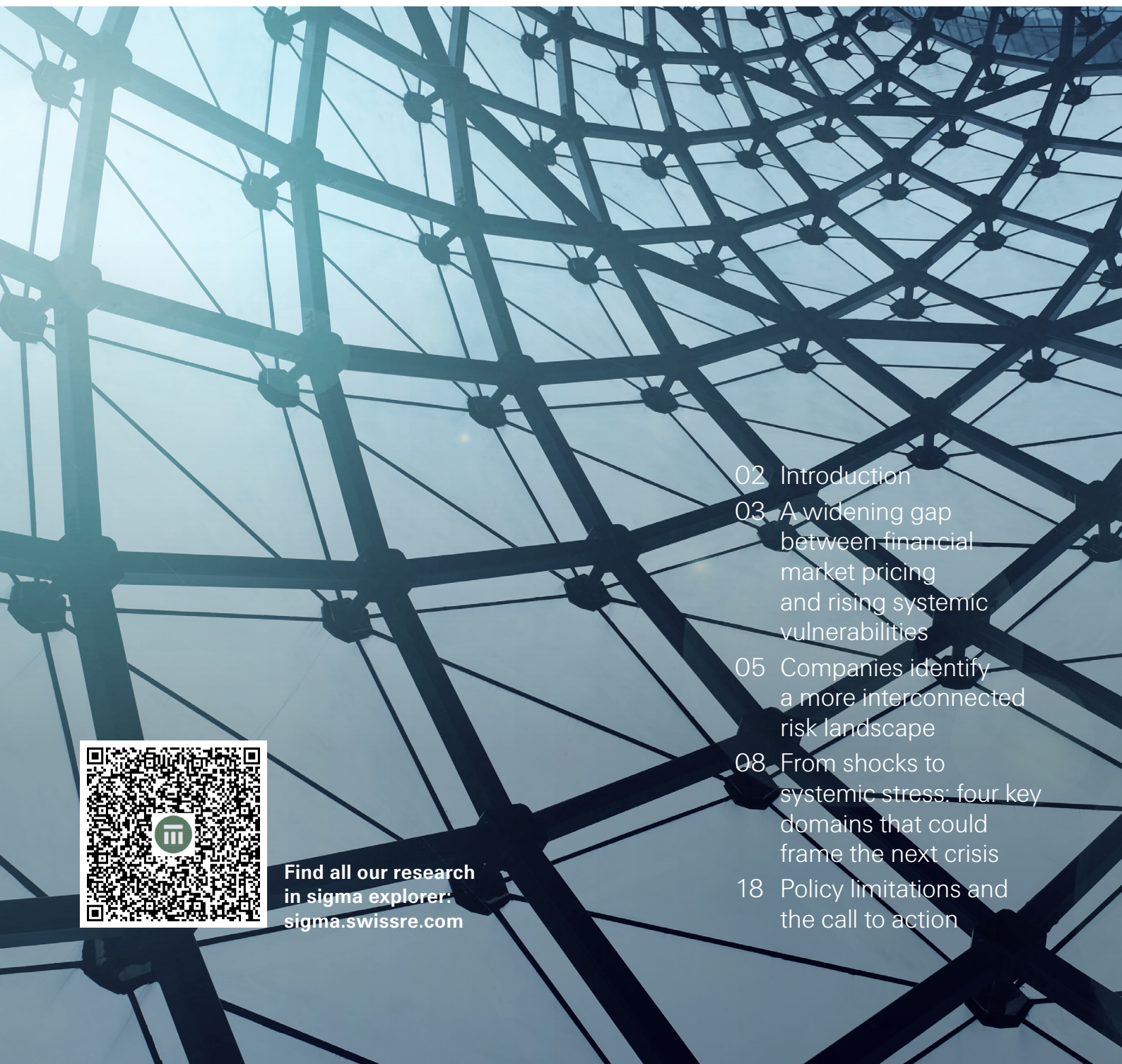


September 2026

The age of interconnected risks

How interdependencies are shaping the next generation
of systemic crises

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Introduction

Systemic risk is underestimated

The conditions for a new generation of systemic crises are taking shape with rising economic imbalances and new interdependencies, based on both Swiss Re Institute's and The London School of Economics (LSE) analyses. Unsustainable fiscal debt trajectories, lower productivity growth and demographic ageing have increased vulnerabilities across the economy. Meanwhile, stronger interdependencies between financial, digital, natural and socio-economic systems are creating new channels for shocks to transmit and amplify – for example, links between concentrated critical infrastructure and natural hazards or between (geo)political shifts and supply chains. At the same time, geoeconomic fragmentation is exposing vulnerabilities in global networks, as critical “chokepoints” in finance, technology and trade are increasingly used as sources of strategic leverage. Meanwhile risk asset valuations are close to record levels – suggesting that financial markets might underestimate the potential for non-linear disruption.

Understanding how risks interact contributes to greater preparedness and resilience

As risks increasingly interact across traditional boundaries, systemic risk¹ can no longer be understood through the lens of individual sectors or institutions. Collaboration between business and financial leaders, academics, policymakers and regulators is increasingly important to better understand these interconnections and strengthen systemic resilience. The partnership between LSE and the Swiss Re Institute brings together academic research with practical risk expertise. We believe collaborations like this can help identify emerging vulnerabilities, deepen our understanding of how risks interact and thus contribute to greater resilience in a rapidly changing and interconnected world.

Our analysis shows AI, climate and social instability risks have broadened sharply

Corporate risk perceptions confirm a fundamental shift in the systemic risk landscape. Swiss Re Institute's new proprietary analysis of corporate risk disclosures of major US-based multinational companies shows that companies view risks as more pervasive and interconnected since pre-COVID (2019). Three themes stand out: the rapid evolution of AI and new technologies have evolved from a risk largely confined to the tech sector into an economy-wide concern; the interaction between growing climate hazards and critical infrastructure; and evolving vulnerabilities in the socio-economic fabric. The number of corporates highlighting AI, climate and social instability risks has doubled or even tripled since 2019. This matches our own finding that, since the global financial crisis of 2008, systemic financial risk has increasingly been driven by external drivers originating from outside the financial system².

Accumulation and interaction across the financial, digital, natural and socio-economic domains can increase systemic risks

The most consequential new development has been the growing interaction between risks across (1) the financial system, (2) the digital ecosystem, (3) natural hazard risks, and (4) the wider socio-economic environment. Their accumulation and mutual reinforcement ultimately pose the greatest threat to the functioning of the global economy and financial architecture. Higher financial complexity, AI-enabled decision-making, concentrated digital infrastructure, weather-related disruption of critical assets, and mounting socio-economic pressures are creating new fragilities as well as new contagion channels, while weakening traditional sources of resilience across monetary and fiscal policy.

Building resilience means moving beyond siloed risk assessment towards scenario analysis, stress testing and cross-sector dependency mapping

Preparing for systemic risk requires moving beyond a siloed assessment of individual hazards towards understanding the network of dependencies through which crises propagate. In a world of (geo)political fragmentation and rapid technological change, resilience increasingly depends on identifying critical interconnections, reducing excessive concentrations, strengthening shock-absorbing capacity, and preserving effective risk transfer mechanisms. This calls for making scenario analysis a cornerstone of corporate risk management, conducting stress tests more frequently, clearly mapping cross-sector dependencies, and using fiscal and regulatory tools to build buffers before shocks materialise³.

¹ Systemic risk is the risk that shocks propagate through interconnections within a system, impairing its functioning and causing widespread economic harm.

² Danielsson, J., & Macrae, R. (2025). *Five systemic threats and what to do about them* (SUERF Policy Brief No. 1132). SUERF

³ Demekas, D. G. (2017). *Stress tests as a systemic risk assessment tool*. Journal of Risk Management in Financial Institutions, 10(1), 36–44.

A widening gap between financial market pricing and rising systemic vulnerabilities

Financial markets are pricing in historically low risk despite rising systemic vulnerabilities

The rise in systemic risk potential and interconnections between the physical and digital world – leading to increasingly narrow growth drivers dependent on AI – stand in stark contrast to financial markets generally pricing in very low levels of risk, as illustrated in table 1⁴. Risk assets – equities, corporate credit, currencies (FX) and real estate – currently offer low risk compensation relative to their own history. This is particularly true in the US, where the S&P 500 equity price-earnings ratio is approaching all-time highs on an index level, while corporate public credit spreads hover around cyclical tightness (see figure 1, left). It is worth noting though that the recent rise in global interest rates as well as concerns about AI-related concentration risks have started to weigh on the weakest corporate borrowers in public markets, while also exposing pockets of weakness in private credit.

Higher interest rates are a consequence of the new regime – and a potential amplifier

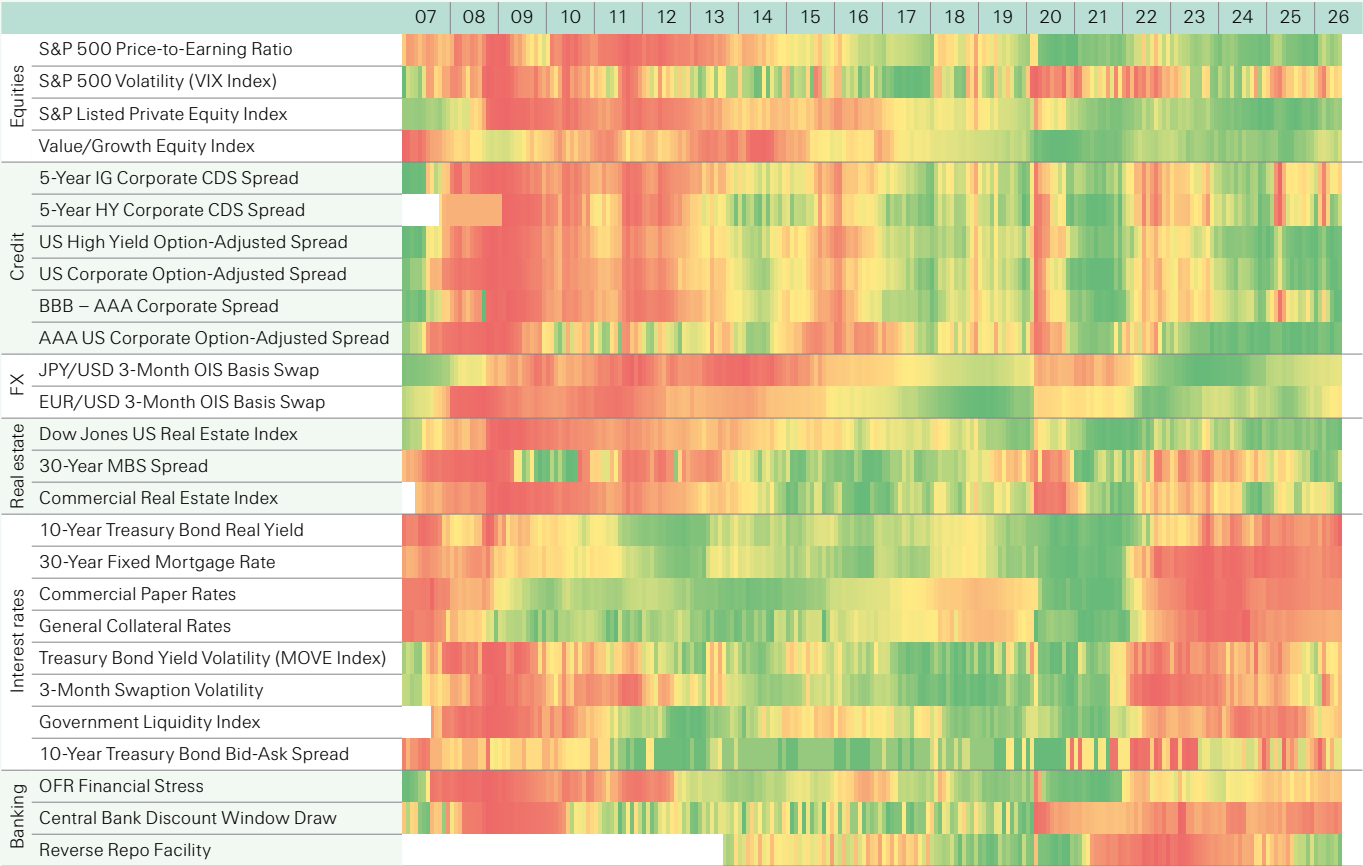
Interest rates have shifted structurally higher since COVID, driven by a mix of higher inflation risk, elevated (geo)political uncertainty and fiscal concerns. In 2026, the sharp rise in energy costs has further added to upside pressure and concerns about the negative consequences of higher yields on economic growth. Interest rates have thus been pricing in the new backdrop, though risks remain skewed toward a further increase should these factors intensify. More severe downside scenarios include an erosion of central bank independence or attempts by governments to directly suppress borrowing costs (eg via yield curve control), which could lead to un-anchored inflation expectations.

Positive stock-bond correlation since COVID has weakened a key diversification buffer

Meanwhile, the erosion of stock-bond diversification increases the risk of severe, correlated market losses and wealth destruction. Since COVID, the stock-bond correlation has shifted from negative to positive (see figure 1, right). Higher inflation has contributed to this reversal, while elevated bond supply and fiscal concerns are further weakening the traditional safe-haven properties of government bonds. This leaves investors, including insurers and pension funds, more exposed to simultaneous losses in stocks and bonds when diversification is most needed, amplifying systemic vulnerabilities as higher volatility can worsen funding constraints and force deleveraging. Combined with elevated asset valuations and volatile interest rates, this raises the risk of sharp corrections in markets and financial wealth.

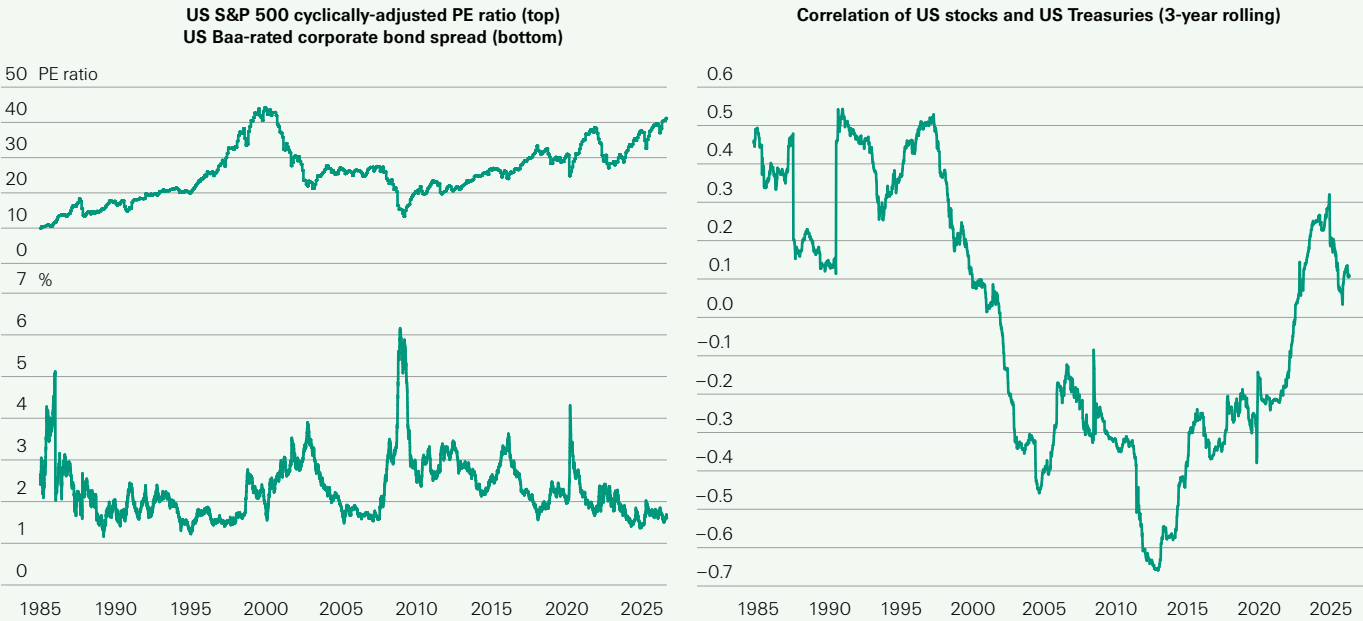
⁴ This is an update of a table first published in: Swiss Re Institute. *Sigma – Growth in the shadow of (geo)politics*. Nov 2024

Table 1
Are financial markets underestimating systemic risk?



Note: The data for each variable is transformed into percentile ranks, based on the distribution of its values since 2002 (or since the time series is available, if later than 2002). The heatmap presents the distribution of the percentile ranks. Red indicates that high risk is priced and green indicates that low risk is priced.
Source: Bloomberg, Federal Reserve Economic Data, BofA, Swiss Re Institute

Figure 1
Risk assets are approaching all-time records (left), while the stock-bond correlation has flipped positive (right)



Companies identify a more interconnected risk landscape

A new Swiss Re Institute methodology tracks not just what risks companies see, but how those risks connect and shift over time

Artificial intelligence (AI), climate and social instability risk have all broadened well beyond their original sectors

Risks are not just more frequently disclosed but more densely interconnected: AI and supply chains stand out as key nodes

Corporate disclosures capture the consequences of (geo)political fragmentation, but miss its underlying trigger and the risk of financial weaponisation

In a new analysis, Swiss Re Institute uses a large language model to identify not just corporate risk perceptions, but specifically their shifts over time and the perceived interconnections between risks. To gauge corporates' assessment of key risks and their interactions, we analyse risk disclosures in the 10-K filings of 91 Fortune-100 companies with multinational operations. We compare the latest snapshot, based on annual reports published in February 2026, with the pre-COVID situation (reports published in early 2019) to identify shifts in their risk assessment (see box below for methodology)⁵.

Shifts in corporate risk perceptions reflect a broader and increasingly interconnected risk landscape. This is important because systemic risk rises when risks become more relevant across a wider spectrum of the economy and when interconnections strengthen. With few exceptions, the same risk categories are now mentioned by more companies than in 2019⁶. In particular, three themes have broadened significantly beyond their original domains in recent years (see figure 2):

1. **Artificial intelligence (AI) & new tech risk (+30%⁷):** AI risk has evolved from a concern largely confined to the tech sector into a cross-sector risk amplifier, with implications extending across multiple industries. A large set of companies that did not disclose AI risk in 2019 (eg retailers, airlines, pharma companies, food producers) were disclosing it by 2026, because AI has become more widely embedded in their operations, customer behaviour and regulatory environment.
2. **Climate change risk (+31%):** In 2019, climate risk was primarily disclosed by energy companies and a small number of other sectors as a risk to physical assets. The expansion since then reflects both genuine risk materialisation (ie more frequent extreme weather events severely affecting operations) as well as regulatory pressure – at times differing across jurisdictions and rapidly changing – forcing companies to identify and disclose climate-related risks that previously went unreported.
3. **Strains in the socio-economic fabric (+22%):** Risks associated with labour disputes, social instability and political unrest are no longer limited to emerging markets – they have become a material concern in advanced economies as well. Risk disclosures have expanded to include political polarisation, AI-driven labour disruption, social-media-related reputational risks and (geo)political tensions that also exacerbate cost-of-living pressures on households in both emerging and advanced economies.

Beyond the frequency of risk mentions, we also map causal links between risks as reported by private sector companies (see figure 3). Since 2019 corporate risk disclosures point to a denser and more interconnected risk landscape. The average number of risk interconnections identified by companies has risen by 24%, with AI emerging as a more strongly connected node. Supply chains are another critical nexus: (geo)political, tariff, climate, pandemic and cyber risks increasingly interact and reinforce one another, creating multiple pathways through which supply chains can be disrupted.

Swiss Re Institute's risk assessment is broadly in line with the latest assessments of private sector companies, but further identifies two areas corporate disclosures do not fully capture:

1. **The ongoing (geo)political regime shift** is a major underlying force behind emerging risks: companies typically capture its consequences (supply chain stress, tariffs) but not the underlying trigger.

⁵ We chose reports published in 2019 because the annual 10-K filings published in 2020 were already distorted by COVID-19 references.

⁶ To estimate the most recent shifts in 2026 we also compared investor calls held between January and August 2026 with the same period last year. Risk topics mentioned in 2025 and 2026 are very similar but show a shift in two themes: management commentary so far in 2026 points to a further increase in AI-related risks, while the perception of tariff risks has decreased.

⁷ Change between 2019 and 2026 in the share of companies within the sample mentioning the risk.

2. **Capital weaponisation and financial system fragmentation:** the explicit use of financial tools as geopolitical weapons is largely absent from corporate disclosures, yet represents an emerging risk we are monitoring closely.

Analysing corporate risk disclosures

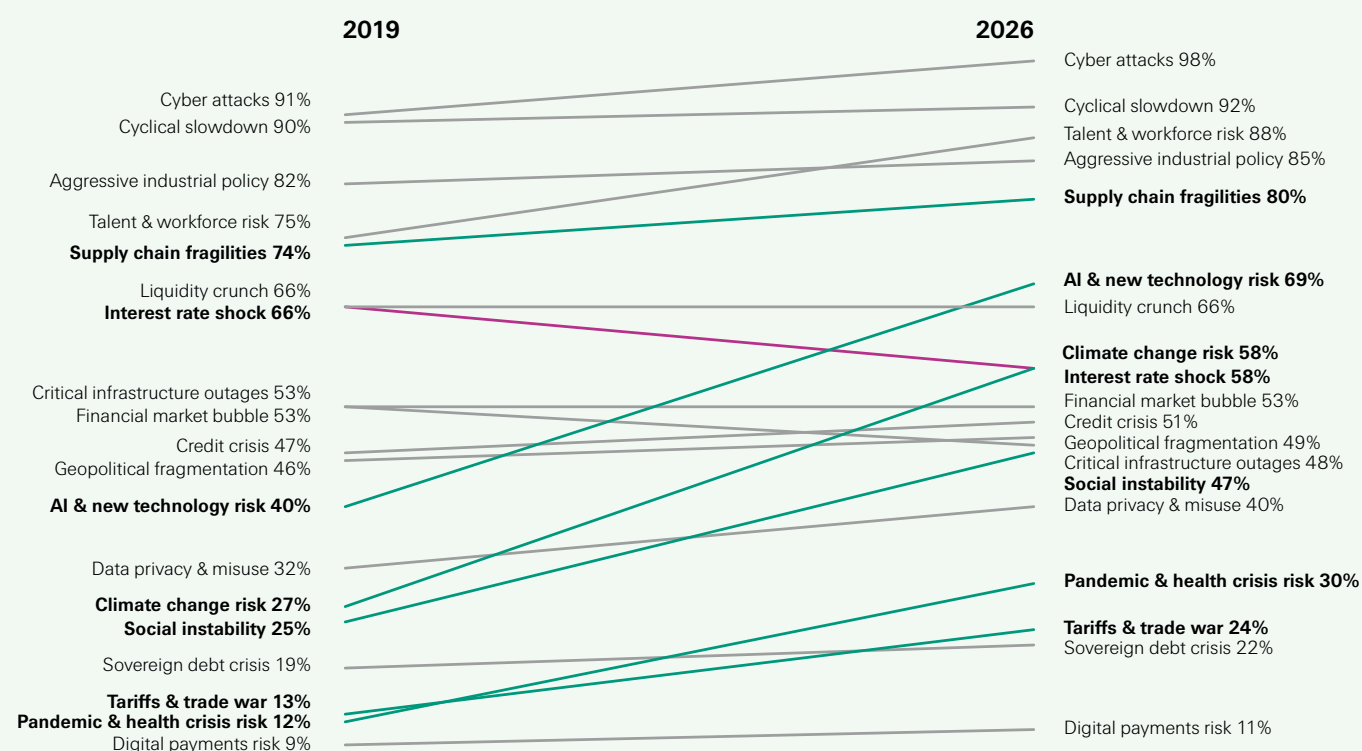
To explore how companies perceive risks and interconnections, we analysed risk disclosures of 91 Fortune-100 companies, drawing on their 10-K filings. Although all companies are headquartered in the US, they operate globally, generating on average 30–40% of their revenue outside the US, and therefore provide a useful multinational perspective*. We used a large language model to classify each risk disclosure into a primary risk category and then identify causal links to other risk categories (as mentioned in companies' risk disclosures themselves). While regulatory and compliance risk features prominently in disclosures, it represents a broad cross-cutting theme (or outcome) rather than a distinct source of systemic risk in the current environment and has been excluded from this analysis.

Figure 2 compares the most recent assessment published in corporate filings in 2026 with risk mentions published in 2019. Reporting practices and the near-term focus of 10-K filings mean that the map should be viewed as an empirical snapshot in time of how companies report risk interconnections, rather than a definitive representation of systemic risk dynamics.

The risk map in figure 3 illustrates which risks are mentioned the most and how strongly interconnections between different risks are perceived.

*Note: The results are broadly similar for more domestically-focused vs. more international companies, with the exception of supply chain risk, which is significantly more relevant for international corporates.

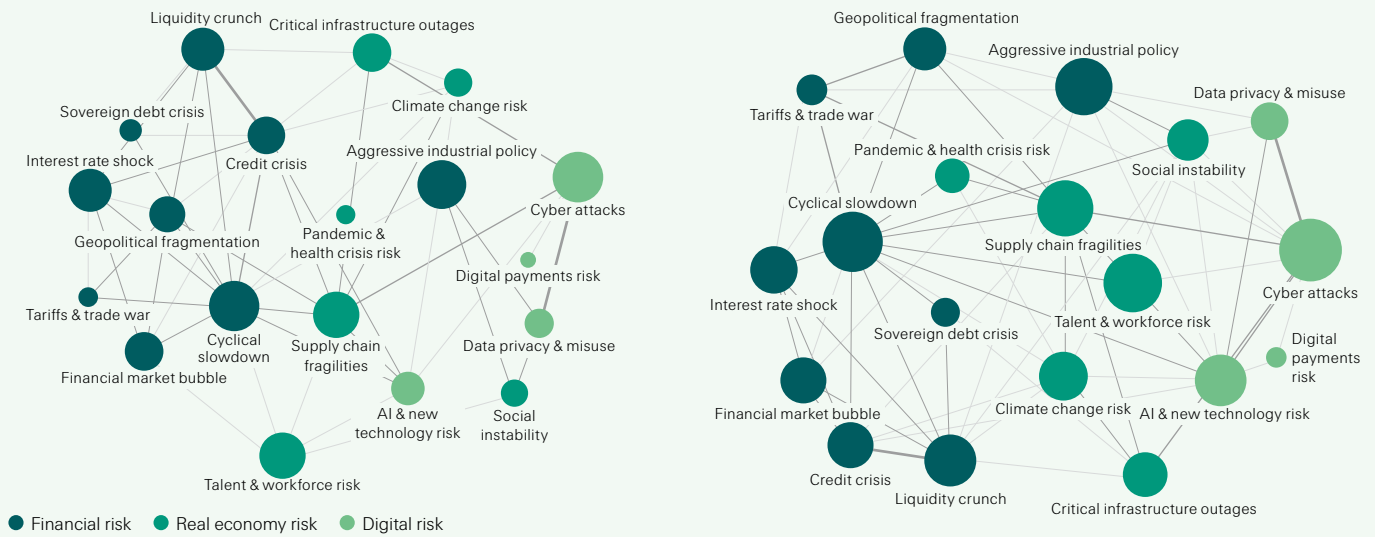
Figure 2
Change in risk mentions from 2019 to 2026



Note: Share of companies in sample mentioning a specific risk
Source: Swiss Re Institute

Figure 3

Corporate risk map based on annual reports published in early 2019 (left) and 2026 (right)



Note: Node size indicates how often a risk is mentioned by companies as a dominant risk on aggregate (multiple mentions by one company are possible) and line thickness represents the frequency disclosed interconnections.

Source: Swiss Re Institute, annual reports published in 2026 and 2019 based off financial years 2025 and 2018 respectively.

From shocks to systemic stress: four key domains that could frame the next crisis

Risk monitoring reveals increasing vulnerabilities across the key domains – with limited offsets

The Swiss Re Institute is monitoring the evolving systemic risk landscape across the financial and digital system, natural hazards as well as the socio-economic sphere. Table 2 below shows a selection of indicators that serve as signposts for the evolution of global systemic vulnerabilities across these four domains. Both LSE and the Swiss Re Institute recognise that systemic threats to the financial system increasingly originate outside the financial sphere, with risks across different domains interacting and potentially amplifying one another.

Risk accumulation across domains is the ultimate threat

Vulnerabilities across advanced economies appear most acute in the socio-economic domain, amid historically weak productivity growth and rule of law, and elevated demographic and distributional pressure. Low housing affordability is an example of the ongoing cost-of-living crisis, which also contributes to eroding institutional trust. The financial system is facing increasing government debt pressures, while corporate and household leverage is much lower than around the global financial crisis. The structural increase in digital penetration and interconnectedness raises both exposure to threats and the potential for shocks to propagate throughout the digital ecosystem, with cyber incidents on the rise. But AI brings about huge opportunities too, as can already be observed in rising productivity among the most exposed sectors. Natural-hazard vulnerabilities are elevated amid growing asset exposure and infrastructure concentration, alongside changes in climate-related risks, although greater insurance penetration provides an important source of systemic resilience.

As highlighted by our analysis of corporate risk assessments, the most consequential development in the systemic risk landscape is the growing interaction between risks. Risks increasingly accumulate, reinforce and amplify each other, creating new pathways through which individual shocks can escalate into systemic stress.

Evolving and growing interconnections across domains shape new pathways into systemic risk

These transmission channels are also changing. Greater complexity and leverage in the financial system, faster and increasingly automated decision-making in a more digitalised world, greater concentration of critical digital and physical infrastructure, and weakening socio-economic buffers can accelerate and amplify shocks. At the same time, (geo)political fragmentation is introducing more policy-driven catalysts, including military conflict, economic confrontation, financial weaponisation and cyberattacks.

However, diversified networks can also help to absorb and disperse shocks. Re/insurance can contribute to resilience through risk pooling, diversification and risk transfer

What ultimately determines whether a shock becomes systemic is not necessarily its initial size, but the network through which it propagates⁸. Relatively small shocks can generate disproportionate effects when vulnerabilities accumulate, transmission channels reinforce each other, or critical nodes are highly concentrated⁹. However, interconnection itself is not necessarily destabilising. Dense but diversified networks can absorb and disperse shocks. Re/insurance illustrates this resilience-enhancing role through global risk pooling, geographical diversification and offsetting exposures – which relies on cross-border capital flows to function properly.

⁸ Acemoglu et al. Systemic risk and stability in financial networks. January 2013. NBER Working Paper.

⁹ F. Allen & D. Gale. Financial Contagion. Chicago Journals. Feb 2000.

Table 2

Risk monitor across systemic key domains

Global systemic risk vulnerability (percentile rank since 1990 for advanced economies within G20*)						
	Low (<50 th)	Medium (50–75 th)	High (75–99 th)	Record high	Latest value	Indicator details and sources
Financial						
Government debt, % GDP			○		99%	Central government debt, % GDP. Source: IMF Global Debt Database
Non-bank financial intermediation, % GDP			○		170%	Total assets, % GDP. Other financial intermediaries (OFIs), notably excluding central banks, insurance corporations and pension funds. Source: FSB
Credit to non-financial private sector, % GDP	●				151%	Credit from all sectors to households and non-financial corporations, % GDP. Source: BIS
Residential property price exuberance***	●				–2.1	Units below the critical threshold, identifying residential property prices rising at an “abnormally explosive” pace. Source: Federal Reserve Bank of Dallas
Gross external assets, % of GDP			○		199%	Total external financial assets excluding gold, % GDP. Source: External Wealth of Nations, Brookings
Digital						
Productivity growth in AI-intensive sectors**	●				2.2%	Gross value added per hour worked, volumes. HP-filtered. Average of (i) Financial; (ii) Professional, Scientific & Technical; (iii) ICT. Source: OECD
Internet usage, % population				●	94%	Individuals using the internet, % population. Source: World Bank
Card payments, % GDP			○		34%	Card and e-money payments, % of GDP. Source: BIS
Number of AI incidents***				●	362	Number of reported AI incidents. Source: AI Incident Database
Reported cyber incidents***			○		700	Source: Global Dataset of Cyber Incidents
Natural						
Nat Cat economic losses, % GDP			○		0.36%	Share of economic losses from natural catastrophes that are uninsured, 5Y-MA. Source: Swiss Re Institute
Nat Cat protection gap	●				43%	Share of non-insured economic losses from natural disasters, current prices, 5Y-MA. Source: Swiss Re Institute
Extreme heat days				●	2.6	Number of days per year with temperatures >35°C. Latest value as of 2024. Tentatively 2026 will see a new record high. Source: World Bank
Spatial Concentration of data centres***				●	1.9	Nearest Neighbour Index (inverse). Source: IEA
Socio-economic						
Trend Productivity Growth**			○		1.1%	Real Labour Productivity per hour worked, PPP, HP-filtered. Source: TED, Conference Board
Old Age Dependency Ratio				●	33%	Population by Age, 65+/15–64. Source: UNDESA
Income Inequality				●	35.6	Disposable Income Gini Index. Source: SWIID
Rule of Law**				●	0.94	Rule of Law Index. Source: V-Dem Institute
House Prices to Disposable Income			○		0.98	House Price Index to Personal Disposable Income Ratio. 2005=1. Source: Fed Dallas
Trust in Government**				●	35%	Share of population reporting confidence in national government. Source: OECD

Notes: * The G20 advanced economy (AE) sample includes Australia, Canada, France, Germany, Italy, Japan, South Korea, Spain, United Kingdom, United States. Percentile ranks are calculated over each indicator's available history from 1990 onward. ** For these variables low value means high systemic risk vulnerability and vice versa. 'Latest value' is the GDP-weighted average across the G20 AEs in the last year available (2024–26), except for indicators marked with ***, which are global aggregates originally. Source: Swiss Re Institute.

Financial system risks: new fragilities from evolving financial system connections

New and reinforced transmission channels are changing how shocks propagate through the financial system

Shifts in the architecture of the financial system have created new transmission channels and reinforced existing ones, changing how shocks propagate across institutions and markets (see figure 4). Greater digitalisation, interconnectedness and leverage can transmit and amplify stress more rapidly and across a wider set of actors. These channels operate alongside traditional amplification mechanisms, including feedback loops through falling collateral values¹⁰, leverage and risk-sensitive constraints¹¹, as well as sovereign-bank feedback loops (see figure 5).

Systemic banking crises cost more than 30% of GDP on average and the scope for costlier crises is rising as dependencies increase

The economic costs of systemic financial stress are massive and long lasting, especially if it affects the banking sector. On average, systemic banking crises in advanced economies have led to cumulative output losses of more than 30% of GDP over the three years following the onset of the crisis¹². The scope for more costly systemic crises has likely risen as economies have become more dependent across multiple domains beyond the financial system, such as the real economy, critical infrastructure and technology¹³.

Goeconomic fragmentation raises the risk of financial weaponisation

The recent rise in goeconomic fragmentation increases the risk that financial tools are weaponised, with systemic consequences potentially far more severe than those arising from trade fragmentation. This comes against a backdrop of cross-border payments estimated to rise by 65% to USD 320 trillion by 2032, highlighting vulnerabilities with increasing interconnectedness¹⁴. If confidence in the US dollar as the global reserve currency deteriorates quickly, this could further raise systemic risks given the lack of ready alternatives. Systemic dependence on the US dollar also creates chokepoints around internationally coordinated liquidity provision or swap lines that can be weaponised. Debt sustainability also faces additional political pressure, with unsustainable debt often the principal macro-financial vulnerability in systemic crises.

Digitalisation makes the transmission of shocks through the financial system faster, broader, more synchronised, and less predictable

As financial intermediation becomes increasingly real-time, technology-dependent, and platform-based, systemic risks are likely to spread faster and more broadly, while traditional policy tools become less effective. Digital banking, instant payments, and social media have transformed financial stress dynamics. Bank runs that once unfolded over days can now occur within hours, as information and withdrawal decisions spread almost instantly via digital channels. For example, in 2023 depositors of Silicon Valley Bank, fuelled by social media tried to withdraw around a quarter of the bank's deposits within a single day – the first bank run of the digital age. Figure 4 illustrates how new developments, especially in the digital space, can amplify the transmission of financial market shocks.

Opacity in the shadow banking system is creating hidden systemic threats

Some parts of the financial system have become more opaque, creating new systemic spillover risks. Financial intermediation has become less centralised as non-bank lenders, private credit funds, fintech platforms, crypto ecosystems and increasingly AI-driven systems have become integral to financial infrastructure. Non-bank financial intermediaries (NBFIs) account for more than 50% of global financial assets and have been growing their assets at roughly double the pace of banks in 2023 and 2024¹⁵. Borrowing by US hedge funds exceeded USD 7 trillion for the first time in 2025¹⁶. NBFIs are a very heterogeneous sector, parts of which are lightly regulated. While diversification of funding sources can increase resilience, the shift of risks from the regulated sphere (banks, insurers) to less regulated providers creates hidden systemic threats.

¹⁰ Kiyotaki and Moore (1997). Credit Cycles (JPE 105-2); Geanakoplos, J. (2010a) The Leverage Cycle, in Acemoglu Rogoff, and Woodford, eds., NBER Macroeconomics Annual 2009, Vol. 24, University of Chicago Press, Chicago, pp. 1–65.

¹¹ Danielsson, Embrechts, Goodhart, Keating, Muennich, Renault and Shin. (2001). An Academic Response to Basel II. FMG Special Paper 130; Danielsson and Zigrand (2007). Equilibrium asset pricing with systemic risk. Economic Theory.

¹² Laeven, L., & Valencia, F. (2026). *Systemic Banking Crises Database: 1970–2025* (No. 2026/094). International Monetary Fund.

¹³ Florini, A., & Sharma, S. (2020). *Systemic hazards*. Finance & Development.

¹⁴ FXC Intelligence. *Cross-border payments market now worth over \$194tn and is forecast to reach \$320tn by 2032*. Jan 2025.

¹⁵ Financial Stability Board. *Global Monitoring Report on Nonbank Financial Intermediation*. 2025.

¹⁶ IMF: *Global Financial Stability Report*. April 2026.

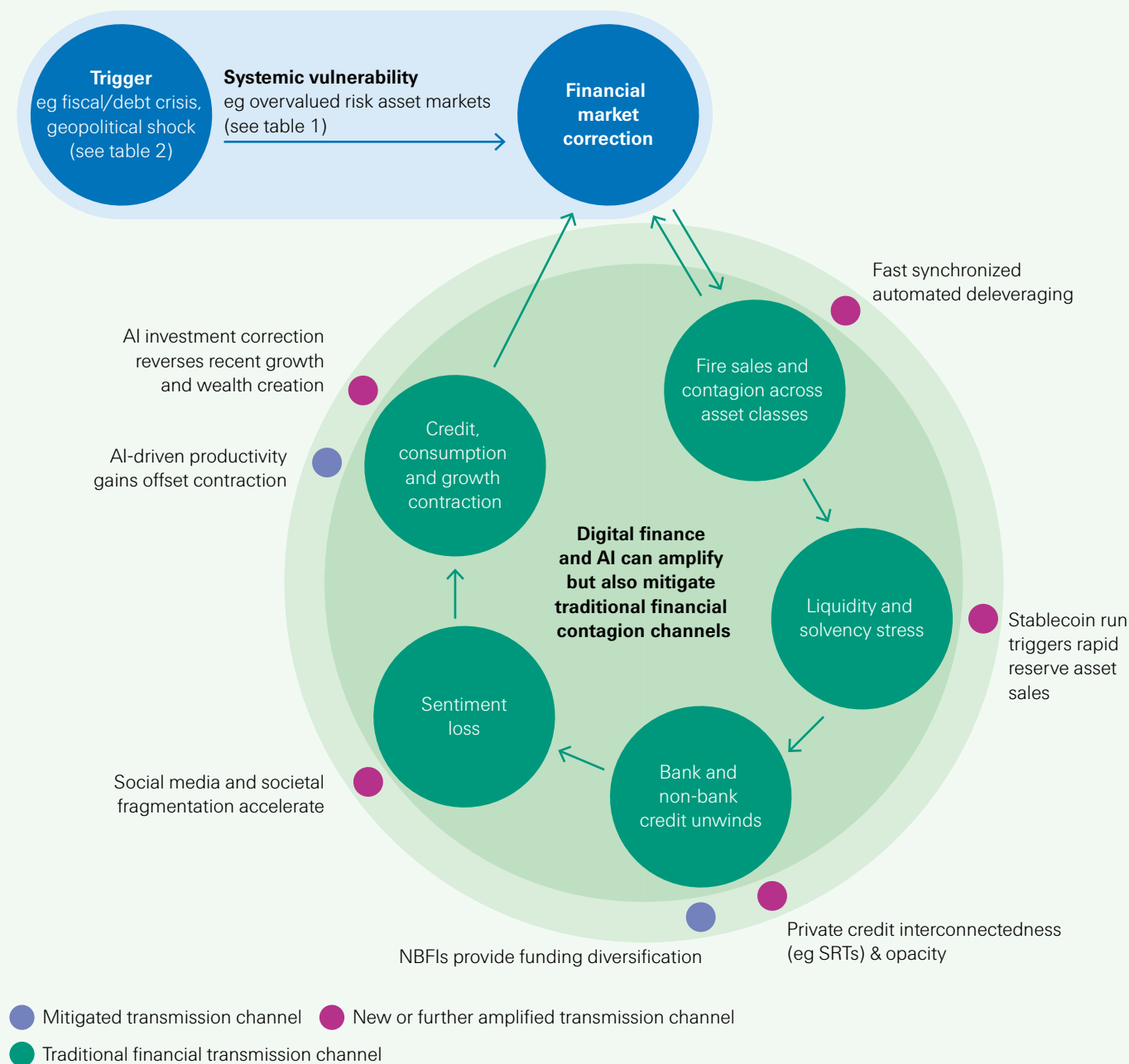
Spillover into the banking sector is the key risk

It is the growing interconnectedness between banks and parts of the non-bank financial sector — through innovative financing structures, leverage, and synthetic risk transfer — that increases contagion risks across domains. A shock can trigger simultaneous valuation adjustments across multiple asset classes, forcing deleveraging and liquidity stress that spread rapidly between banks, funds, insurers, and capital markets. Growing NBFIs' holdings of government debt and linkages with banks are reshaping the bank-sovereign nexus, creating new indirect channels through which sovereign stress can reach and be amplified within the banking system¹⁷. Rather than strengthening NBFIs' regulation indiscriminately, regulators should examine the quickly evolving and diverse NBFIs' landscape with a focus on where new systemic risks might originate. The aim should be to level the regulatory playing field among NBFIs, without harming the positive impact of a more diversified funding and risk capital base.

¹⁷ Avdjiev, S., Hardy, B., & Jager, M. (2026). *The evolving nexus: Sovereigns, banks and NBFIs* (BIS Working Papers No. 1369). Bank for International Settlements.

Figure 4

Illustration of how new tech and other recent developments can amplify but also mitigate financial market contagion channels



Note: This is an illustration and not a comprehensive list. There are other catalysts and contagion channels beyond the examples shown here.
Source: Swiss Re Institute

Figure 5

The sovereign-financial feedback loop is still at the heart of systemic financial crises, further amplified by emerging risks



Note: This is an illustration and not a comprehensive list. There are other catalysts and contagion channels beyond the examples shown here.
Source: LSE

Digital risks: AI's productivity opportunity comes with interconnected risks that can amplify systemic stress

New technologies, especially AI, offer companies substantial opportunities and could materially boost productivity. Companies also increasingly recognise digital risks as system-wide threats interconnected with other risk dimensions. Given the focus of this report, we mainly analyse how digital technologies can drive, catalyse and amplify systemic risk, while recognising their substantial potential benefits.

Dependence on concentrated digital infrastructure creates potential new single points of failure

The economic and financial system increasingly relies on concentrated data centres, cloud services, communication networks, and other third-party technology providers. This concentration creates potential single points of failure. In 2024, three firms controlled 70% of the world's cloud infrastructure. With three companies processing 97% of global credit card transactions, a payment system outage would likely disrupt the daily flow of financial exchanges. Systemic stress may arise if the disruption lasts long enough to impair liquidity and settlement. For re/insurers, such concentration creates accumulation risk, as a single outage or cyber event can trigger simultaneous claims across otherwise unrelated insureds and multiple lines of business¹⁸.

Stablecoins can become geostrategic instruments and pose run-like systemic dynamics

Stablecoins can create new links between digital finance and the traditional financial system. A loss of confidence in a stablecoin could trigger rapid redemptions, forcing issuers to sell reserve assets and potentially adding stress to financial markets. Widespread use of foreign-currency stablecoins could also accelerate currency substitution, increase capital-flow volatility, weaken monetary-policy transmission and create a new channel through which (geo)political fragmentation affects the financial system.

AI may reinforce concentration, complexity and correlation, adding risks to financial stability

AI may compound these emerging fragilities and increase risks to financial stability¹⁹. Companies already identify it as a highly interconnected risk node (see figure 3). First, AI-related fixed costs likely favour concentration in AI providers. Second, AI increases the complexity within the system via feedback loops and operational dependencies, while remaining to some degree opaque to humans²⁰. Third, reliance on similar models may weaken behavioural diversity as a stabilising force^{21,22}. Fourth, the ability of AI models to identify cyber vulnerabilities might facilitate attacks on critical infrastructure^{23,24}. Attacks occurring under stressed market and liquidity conditions could act as powerful crisis amplifiers²⁵.

AI could compress the reaction times in the system and increase risks of synchronised behaviour

Financial transactions, consumer and investment decisions can be executed instantaneously, increasingly augmented by AI. This can improve efficiency but also raises the risk of rapid contagion and synchronised, self-reinforcing behaviour. This would make portfolio reallocations, liquidity withdrawals, margin calls and collateral adjustments faster and more synchronised, increasing financial stability risk.

AI-related debt funding creates further ties between tech and the financial system

The financial system's growing exposure to an increasingly circular AI ecosystem creates additional fragilities. Large, concentrated exposure to potentially overvalued AI-related assets and AI companies engaging in circular business and finance transactions can create self-reinforcing cycles. AI infrastructure has become a rising asset source for private credit markets as AI-related deals accounted for more than one third of private credit (PC) deals in 2025 and are estimated to contribute 40–50% of PC deals by 2028²⁶.

¹⁸ Swiss Re. *Risk concentration in the cloud: How to enhance Resilience*. Jan 2024.

¹⁹ Danielsson, J., Macrae, R., & Uthemann, A. (2022). *Artificial intelligence and systemic risk*. Journal of Banking & Finance, 140, 106290.

²⁰ Cecchetti, S. G., et al. (2025). *Artificial intelligence and systemic risk*. ESRB: Advisory Scientific Committee Reports, 16.

²¹ European Central Bank. (2024). *Artificial intelligence and the future of finance*. In Financial Stability Review (May 2024, Special feature A).

²² Cecchetti, S. G., et al. (2025). *Artificial intelligence and systemic risk*. ESRB: Advisory Scientific Committee Reports, 16.

²³ Yamin, M. M., Ullah, M., Ullah, H., & Katt, B. (2021). *Weaponized AI for cyber attacks*. Journal of Information Security and Applications, 57, 102722.

²⁴ T. Adrian: *How Central Banks Can Contain Financial Stability Risks as AI Accelerates Change*. IMF Blog. 23 July 2026.

²⁵ Danielsson, Jón, Morgane Fouche, and Robert Macrae. (2016): *Cyber Risk as Systemic Risk*. VoxEU.org.

²⁶ Financial Stability Board. *Report on Vulnerabilities in Private Credit*. 6 May 2026.

Productivity gains from AI could strengthen debt sustainability

At the same time, digital technologies, and AI in particular, may ultimately alleviate systemic risk, if they lift productivity growth sustainably. Even under a slow adoption scenario, according to one study AI is expected to lift productivity growth by more than 0.35pp/year across G7 countries over the next decade²⁷. By acting as a ‘method of invention,’ AI may even permanently raise the rate of productivity growth²⁸. Stronger growth would make debt dynamics – which are central to systemic risk – more sustainable, partially offsetting the headwind from ageing²⁹.

Natural hazards: disruption of critical infrastructure is another source of systemic risk

Rising exposure to natural catastrophe risks alongside growing concentration of critical infrastructure and challenges to risk transfer are creating new pathways from local physical shocks to wider systemic disruption. Large economic losses from natural hazards are not necessarily systemic. Systemic risk emerges when natural hazards disrupt critical infrastructure and the effects spread across the wider economy and society.

Exposure growth is the main driver of rising insured natural catastrophe losses

Natural catastrophe losses are rising mainly because more and higher-value assets are located in hazard-prone areas. Swiss Re Institute estimates global insured natural catastrophe losses are rising by 5–7% annually, driven by exposure growth, urbanisation, and intensifying climate hazards³⁰. Exposure growth alone accounts for more than 80% of weather-related insured loss growth globally. Secondary perils, such as floods, wildfires and severe convective storms (SCS), are becoming more important sources of insured losses as exposure grows and hazard patterns evolve, with evidence of increasing frequency or intensity for some perils and regions.

Large natural catastrophe losses become systemic when they disrupt critical, hard-to-substitute nodes

Natural hazards can become systemic when they hit concentrated infrastructure that large parts of the economy depend on and that cannot easily be replaced. This includes AI data centres, power systems and strategic supply chain hubs. Corporates recognise infrastructure and supply chain risks (see figure 3), but their interaction with natural hazards remains an evolving source of vulnerability. A substantial share of the fast-expanding AI infrastructure is being built in hazard-prone regions: More than a quarter of US data centres are in areas with at least three large-hail days a year, and more than 40% are in zones of significant to very high tornado risk³¹. In Taiwan, about 88% of semiconductor plants are in areas of extreme seismic risk³². Such concentration – alongside limited modularity of critical infrastructure – increases expected losses, but it becomes a systemic concern when disrupted services or production cannot readily be substituted and the effects spread across dependent sectors. As AI becomes more embedded in the economy, disruptions to AI infrastructure, or the power systems supporting it, could increasingly affect businesses, financial institutions and healthcare providers.

Climate hazards can weaken the ability of economies to absorb future shocks

Extreme weather can also have effects well beyond immediate physical damage and business interruption. Recent wildfires in Southern Europe show how climate disasters can disrupt infrastructure and output, raise fiscal costs and expose insurance protection gaps³³. Floods and windstorms can cause persistent output losses in affected regions³⁴, while recent European droughts and heatwaves illustrate risks to food production³⁵. This threat is aggravated as more uniform and concentrated crops and farming methods leave larger areas exposed to the same shock. Where fiscal space and insurance

²⁷ Filippucci, F., et al. (2025). *Macroeconomic productivity gains from Artificial Intelligence in G7 economies*. OECD Artificial Intelligence Papers.

²⁸ Bontadini, F., et al. (2026). *AI as an Innovation in the Method of Innovation: Implications for Productivity Growth*. AEA Papers and Proceedings (Vol. 116, 36–40).

²⁹ Adrian, T., Gaspar, V., & Gourinchas, P.-O. (2024, March 28). *The fiscal and financial risks of a high-debt, slow-growth world*. IMF Blog.

³⁰ Swiss Re Institute. *Nat Cat Sigma 1/2026 – Natural catastrophes in 2025: the persistent rise of wildfire and storm risk*. Feb. 2026.

³¹ Swiss Re Institute, *sigma insights*, *Insuring AI: data centre value accumulation risks*, March 2026.

³² Swiss Re Institute. *Sigma: Time to build. Expanding the frontier of insurability for the capex super-cycle*. Sep 2026.

³³ European Environment Agency (EEA). *Economic losses from weather- and climate-related extremes in Europe*

³⁴ Gavilan-Rubio, M. A., & Peppel-Srebrny, J. (2025). *The macroeconomic effects of extreme weather events in Spain: a high-frequency, regional approach*.

³⁵ European Commission. *Heatwaves impact summer and winter crops*. 27 July 2026.

Concentrated exposures can challenge risk-transfer capacity, where it is most needed

coverage are limited, recovery is more difficult and resilience to shocks is weaker. The large-scale power outage in Spain and Portugal in 2025 – which was not weather-related – showed how disruptions to critical infrastructure can amplify economic losses and vulnerabilities³⁶.

Demand for protection increases amid concentration in catastrophe-prone locations

Re/insurance and capital markets provide important financial buffers against natural catastrophes. However, growing concentrations of high-value infrastructure and complex multi-sectoral dependencies can create larger accumulated and tail exposures. Individual AI data centre campuses can exceed USD 10bn in replacement value and reach as much as USD 50bn in exceptional cases (eg Meta Hyperion). Replacement values for a large semiconductor plant can reach USD 20–30bn³⁷. While insuring these assets creates new challenges, advances in engineering expertise, underwriting, risk modelling and programme design can be used to unlock capacity.

Concentration in catastrophe-prone locations therefore increases demand for protection and can make risks more difficult to diversify. It also weakens the assumption that losses across individual assets are largely independent. Insurance-linked securities (ILS) provide an additional source of risk-bearing capital. However, rising frequency of secondary perils and greater loss accumulation risks may make capital more selective precisely where exposure is growing fastest.

Inequality, actual or perceived, strains the socio-economic fabric, weakens systemic resilience and can accelerate stress arising from structural pressures

Socio-economic risks: Long-running socio-economic trends are eroding economies' capacity to absorb shocks

Long-running socio-economic trends – specifically demographic ageing, weaker trend growth and unsustainable public debt – have been eroding economies' capacity to absorb exogenous shocks, while amplifying fiscal, institutional and social transmission channels.

The erosion of the socio-economic fabric weakens systemic resilience to shocks and can accelerate shocks³⁸. Income and wealth inequality have risen over the past four decades, owing partly to technological change that favours highly skilled workers and to globalisation³⁹. This trend has contributed to a backlash against institutions associated with earlier economic growth and stability⁴⁰. The share of US Americans trusting their government to do "what is right" has declined from above 40% until the early 1990s to less than 20% now⁴¹. Meanwhile, productivity gains promised by AI may accrue disproportionately to capital rather than labour. Perceived inequality can shift much faster than underlying economic conditions, especially when amplified by social media and AI. It can weaken political trust and strengthen populist attitudes on both the right and the left⁴². Another major contributor to popular dissatisfaction has been the wider cost-of-living crisis and particularly the sharp drop in housing affordability, especially in the US. Historically, real estate prices have repeatedly been crisis amplifiers with the potential to turn cyclical shocks into systemic stress. Rapid increases in property prices combined with strong credit growth have been reliable signals of emerging financial vulnerabilities. Property downturns can then amplify shocks through declining collateral values, household and corporate balance sheets, and losses in the banking system. Polarised politics can in turn quickly impede the policy responses needed to prevent systemic crises, eg necessary fiscal consolidation or monetary tightening. They also undermine confidence in the institutional foundations underpinning private investments – including secure property rights and the rule of law.

³⁶ Banco de España. *Financial Stability Review Issue 49*. Autumn 2025.

³⁷ Swiss Re Institute. *Sigma: Time to build. Expanding the frontier of insurability for the capex super-cycle*. Sep 2026.

³⁸ Swiss Re Institute. *Re-shaping the social contract: the role of insurance in reducing income inequality*. May 2022.

³⁹ Autor, D. H. (2014). *Skills, education, and the rise of earnings inequality among the "other 99 percent"*. *Science*, 344(6186), 843-851.

⁴⁰ Colantone, I., Ottaviano, G., & Stanig, P. (2022). *The backlash of globalization*. In *Handbook of international economics* (Vol. 5, pp. 405–477). Elsevier.

⁴¹ Pew Research Center. *Public Trust in Government: 1958–2025*. Dec 2025.

⁴² L. Stoetzer, J. Gisecke, H. Klüver: *Perceived inequality and populism*. *European Journal of Political Research* (2026). 1 Oct 2025.

Western economies face long-term structural pressures that limit their shock-absorption capacity

Weaker economic growth and competing public spending imperatives put increasing pressure on government finances and further limit future shock absorption capacities. Labour productivity growth across OECD economies has roughly halved from 2.0% p.a. in 2001–07 to 1.0% in 2008–19. Absent a sustained productivity boost from AI, demographic headwinds will compound this drag. The OECD projects the old-age dependency ratio to rise from 31% to 52% by 2060, constraining labour supply and increasing pension and healthcare spending. Without policy reform, ageing will add an estimated 80%-points to OECD public debt by 2060⁴³. These pressures come as governments already face elevated debt burdens, high refinancing costs and competing demands from defence, climate and other transitional priorities. This leaves less room to respond to future shocks, while raising systemic threats to institutional trust, retirement systems and social cohesion⁴⁴.

A fiscal or institutional crisis could trigger systemic stress

Unsustainable public debt could trigger a fiscal crisis or undermine the existing institutional framework. A loss of confidence in fiscal sustainability could drive a sharp rise in sovereign yields, sending shock waves through the financial system, with an advanced economy sovereign default a tail risk. Alternatively, governments may seek to contain borrowing costs by exerting pressure on central banks to keep interest rates below warranted levels, impose yield curve control or monetise public debt. Such a shift towards fiscal dominance or even financial repression could de-anchor inflation expectations and erode investor confidence, weakening a cornerstone of the financial system precisely when credible institutions are most needed to contain systemic stress.

Retirement systems are inadequately prepared for the demographic shift

Finally, the gradual shift of retirement risk from public to household balance sheets creates an underappreciated systemic stress catalyst. The move from defined-benefit towards defined-contribution pensions, alongside less generous public provision, increasingly leaves individuals bearing investment, inflation and longevity risks⁴⁵. This reduces explicit liabilities on public balance sheets but does not eliminate the underlying economic risk: a prolonged market downturn or inadequate returns could leave a large cohort of households underprepared for retirement and intensify social and political pressures. In a severe shock, governments may ultimately need to step in, meaning risks transferred away from public balance sheets could partially return, precisely when fiscal capacity is most constrained.

Fiscal and monetary policies' shock-absorption capacity is increasingly challenged

The interaction of these socio-economic dynamics – eroding public trust, low shock absorption capacity and challenging demographic and public debt dynamics – undermines the effectiveness of fiscal and monetary policies in responding to systemic stress⁴⁶. Accommodative policies intended to cushion a shock may become accelerators of future systemic stress if they raise further concerns over public debt sustainability, de-anchor inflation expectations, trigger increases in sovereign risk premia, and heighten financial market volatility. As a result, future systemic shocks may prove more difficult to contain through conventional policy. More constrained public-sector shock-absorption and a more volatile risk environment also increase the importance of private-sector solutions, particularly financial risk transfer mechanisms. Here, re/insurance can play a role, for instance by helping design resilient private savings accumulation and decumulation solutions with exposure to financial market upsides and protection against adverse volatility conditions.

⁴³ Koutsogeorgopoulou, V., & Morgavi, H. (2025). *Ageing populations, their fiscal implications and policy responses*. OECD Economics Department Working Papers.

⁴⁴ Goodhart, C. A. E., & Pradhan, M. (2020). *The great demographic reversal: Ageing societies, waning inequality, and an inflation revival*. Palgrave Macmillan.

⁴⁵ Swiss Re Institute. *Life insurance distribution: competing for customer access in an advice-led market* (to be published on Oct 8 2026)..

⁴⁶ Pradhan and Goodhart. *The Unanchored Central Banker*. 2026.

Policy limitations and the call to action

Traditional public policy buffers and crisis mitigation mechanisms are increasingly constrained

Traditional public policy tools against systemic stress are becoming more constrained and less effective against a backdrop of increasingly interconnected risks and geoeconomic fragmentation. Limited fiscal space and (geo)political fragmentation can weaken international crisis responses. Monetary policy transmission is also being weakened by an increasingly complex and decentralised financial system, while the potential erosion of central bank independence could further reduce its effectiveness. The politicisation of crisis management tools such as coordinated international liquidity provision and swap lines may further weaken policy effectiveness at the global level.

Greater proactivity will be required to develop resilience against the next generation of systemic risks

This means risk officers at large corporations as well as governments and regulators will need to be more proactive in enabling investments to strengthen resilience against the next generation of systemic risks. The evidence presented in this report points to these pressure points: shifting and growing network interconnections, concentration around critical nodes, faster and less transparent financial transmission, and increasingly constrained public sector shock-absorbing capacity. These translate into five priorities for policymakers, regulators and businesses:

Key priorities for businesses, policymakers and regulators

1. **Active and collaborative monitoring of the risk landscape: identify risk concentrations with an increased focus on spillover risks – ideally before they materialise – and the system network(s) and architecture.** A more holistic approach to risk management is needed to help business leaders and policymakers assess threats beyond their immediate spheres and identify intertwined risks and critical interdependencies. Assessing aggregate exposures is not enough – it is important to understand spillover effects. Additionally, the monitoring of collateral values can help identify emerging breaking points, as collateral can pro-cyclically amplify leverage in the build-up of vulnerabilities and accelerate deleveraging once stress materialises. Greater information sharing and coordination across sectors can help on this front to reinforce technical learnings, crisis prevention and preparedness. The re/insurance sector is also well placed here with a distinctive view across sectors and geographies to provide risk insight consulting.
2. **Identifying strategic dependencies and building greater resilience against risk concentrations at both the corporate and public sector level.** For corporates this implies giving up maximum efficiency to increase diversification around suppliers⁴⁷ and technology platforms. As this report shows, concentration can be substantial: three firms controlled 70% of global cloud infrastructure in 2024, while 88% of Taiwan's semiconductor plants are in areas of extreme seismic risk. Likewise, policymakers can map and reduce strategic chokepoints and dependencies on concentrated critical infrastructures, aiming for greater strategic autonomy. If chokepoints cannot be eliminated, resilience can be strengthened through diversified sourcing, trusted partnerships, strategic inventories and investment in alternative capabilities. The goal is not to reduce interconnectedness and internal integration, but to avoid excessive concentration around critical nodes in supply chains, technology platforms and financial systems that could become single points of failure. Re/insurance can help identify and price critical concentrations, incentivise investment in resilience and diversify residual risks, while signalling where systemic exposures may require public-private solutions.
3. **Re-thinking public finances: manage the sovereign balance sheet for future risks.** Governments can strengthen resilience by accumulating fiscal buffers and risk-financing capacity in "good times", strengthening the public sector's ability to absorb future crises. Furthermore, governments should treat resilience spending as an investment that helps avoid even greater fiscal burdens in the future. "Resilience accounts" can help estimate expected avoided losses rather than assessing prevention solely against crises that materialise.

⁴⁷ Swiss Re Institute. Emerging risks: hidden dependencies in global supply chains. Jul 2026

4. **Expand risk transfer capacity and the boundary of insurability of emerging systemic risks through public-private partnerships.** Systemic risks – such as pandemics, extreme cyber accumulation and wider critical infrastructure failures – by definition exceed the private-sector risk-bearing capacity. Fiscal constraints are also reducing public shock-absorbing capacity. Public and private stakeholders may explore mechanisms to expand risk-transfer capacity through layered solutions, combining public resources, re/insurance and capital-market instruments such as insurance-linked securities (ILS)⁴⁸. For this, it is important that policymakers foster open capital markets and cross-border reinsurance to avoid capital market fragmentation that would otherwise undermine international risk pooling. Preserving the capacity to transfer risk will remain as important as reducing risk itself.

5. **Adapting regulatory oversight to the new risk backdrop without stifling innovation and competitiveness:** This does not necessarily mean more regulation, but rather more effective regulation. When developing common standards, regulators may wish to consider whether particular forms of harmonisation could unintentionally reduce beneficial diversity in market behaviour or risk management⁴⁹. However, while current regulation of NBFIs is very heterogeneous, with re/insurance strongly supervised, there are other areas in the NBFI space that warrant more attention. In addition, supervisory stress testing frameworks should incorporate cross-domain scenarios, involving AI-driven market synchronisation, critical infrastructure failures, and cyber incidents with digitalisation and AI accelerating risks around financial stress.

⁴⁸ Swiss Re. Insurance Linked Loans. Advancing sovereign disaster risk financing beyond climate resilient debt clauses. 16 Jan 2026

⁴⁹ Danielsson, J., & Macrae, R. (2025). Five systemic threats and what to do about them (SUERF Policy Brief No. 1132). SUERF

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