



INTERVIEW WITH ALLIANZ CEO

OLIVER BÄTE

For over 125 years, the financial services giant Allianz has been providing global insurance and asset management support to more than 86 million clients in 70 plus countries. FULLCOVER speaks to Oliver Bäte about the path to this success and how he intends to ensure Allianz remains a market leader in the digital world.

Before choosing a career in insurance you worked for a bank and served with the German Air Force. How did you end up working in this sector and becoming CEO of Allianz?

After my apprenticeship in a bank and university studies, I went on to work for McKinsey & Company and I was originally eyeing the investment sector because I thought it would be very attractive in terms of career opportunities. Then I was given a task in the insurance sector and quickly realised that insurance is a really exciting and rewarding business. Insurers help customers in need and can help them navigate difficult life circumstances. It's a rewarding business to be in and there are a lot of opportunities to improve topics like processes and productivity. It's a challenge I could not resist. Having served this industry for 25 years now, I never had a moment of regret. As far as Allianz is concerned, I always admired the integrity and competence of its people. It's one of the most resilient institutions I know. So, when the opportunity to join arose ten years ago, I didn't have to think twice.

What was the appeal of the insurance industry and in particular a senior role with Europe's largest insurer?

What makes the insurance sector most appealing to me is very simple: Insurers are the backbone of society: no large infrastructure project is possible without the involvement of insurers, we are long term investors and also bring stability to markets, we use our assets to support greater good. That includes throwing our weight behind environmental, societal and governance topics. And while individuals might not wake up thinking about buying insurance, most people rely on it to secure and grow their assets.

When you were appointed Chief Executive in 2015 you launched your Renewal Agenda strategy with objectives to increase growth, lower costs and drive digitalization. How are you going to achieve these objectives and how is this progressing?

Yes, two years ago we decided to shape our own future success and launched a set of efforts under our "Heritage and Renewal" program, many revolving

around digitizing our business in order to provide the best service possible to our customers. A service that meets them where they are, whenever they want and goes beyond the traditional set of products. This implies simplifying the entire product set value chain, collaborating across countries to bring the best of Allianz to scale for our customers everywhere. We have also sold activities, including Life insurance operations in Korea and Taiwan, that will permanently lift our earnings power and boost our capital position. We are making good progress on this journey.

Your partnership with Brokerslink ensures Allianz has greater access to MidCorp customers within 100 countries, working towards your increased growth objective.

How do you see this partnership working now and in the future?

I truly believe this partnership is a great opportunity. Brokerslink combines an impressive global reach and capabilities for commercial enterprise clients. Allianz provides worldwide expertise and market access. We already see growth resulting from our partnership and this is just the start. As part of our strategy we want to expand our solutions for MidCorp customers and we also like to grow in the so-called growth markets.

How have the recent natural catastrophes – the Mexican earthquake and hurricanes Harvey, Irma and Maria – impacted upon these targets and your growth potential?

Allianz saw natural catastrophe losses of 530 million euros this fall compared to only 30 million one year earlier. That's a huge difference. There were the three hurricanes you mention, plus two earthquakes in Mexico and heavy storms in Europe. The amount of destruction brought to lives is devastating. It's exactly in such moments that I know what Allianz's purpose is: to help people get back on their feet. Those events will not deter us from our 2018 targets nor will they have any impact on our future growth potential. If anything, the third quarter 2017 confirmed just how resilient Allianz is.

In addition to natural catastrophes, climate change and a changing geopolitical landscape are key risks. What role, if any, does the insurance sector have in mitigating these risks, what do you consider are emerging risks and what is Allianz doing to minimise their impact through insurance solutions?

Climate-related risks, including natural catastrophes, are rising, as is geopolitical uncertainty. Insurance can't cure these ills but it can mitigate the impact and help people and businesses to become more resilient. Insurers are crucial to helping economies and societies bounce back after such set-backs. New threats include the risk of cyber-hacking. Allianz is a leader in cyber insurance, protecting companies and governments from the consequences of online attacks. More than simply offering financial support, insurers also offer a wealth of expertise and advice on how to prevent risks. We work hand-in-hand with customers on mitigating risks and improving resilience. Plus, as an insurer and long-term investor we also help to stabilize markets.

Do you see any other challenges and threats to society, companies, insurers, mankind or our world today?

I'd probably highlight two issues: one is climate change and the other is rising inequality – and here specially the uneven access to education. Both issues are at the core of many troubles we are facing today. On both, Allianz has a role to play and engages actively through either insurance or investments. Here more dialog with stakeholders is needed to address the issues.

Are we hopeful for the future – yes! But it is not getting easier, because climate protection and greater equality seemingly face short term trade-offs. Here our long-term perspective helps to keep working on those topics steadily.

As Europe's largest insurer by market capitalization, how do you intend to maintain growth?

Allianz will continue to grow in numerous ways. The best growth comes from serving clients well, because if we do, they will stay with us, recommend us and trust us with more of their assets. We also believe scale matters and as such we are always looking for the right partnerships and potential



Above: Allianz SE global headquarters in Munich

Below: Global Digital Factory, located in the eastern part of Munich in a former production factory



complementary fits to our portfolio. We will grow, but we will do so prudently and not get into acquisitions that are expensive and create no clear strategic value.

Do you think there is a difference between the long and short term management perspectives of European and American insurers? If so, how do they differ?

The fundamental differences are limited as customer behavior and innovation are the key drivers for the future of insurance in all markets.

There are some differences in demographic dynamics and the place granted to the private sector. The presence of insurance businesses will remain higher in the US with much larger business opportunities for insurance due to the more litigious environment. The demographics, the culture of entrepreneurship and innovation gives the US a larger growth potential for the business, too. Along these lines we can see the potential for M&A remaining larger in the US, with a lot of small/mid-size companies under threat

by larger players, who have more money to invest in innovation and brand. We also see the first insurtechs with cutting-edge technology ready to attack the large inefficiencies of the insurance market.

We believe that Europe remains a great place to do business despite a somewhat lower growth perspective, as freedom to operate and flexibility to underwrite business in the various EU countries is in many dimensions superior to what is required in the US to operate in all states.

Your vision to create ‘the most digital insurance company in the world’ is widely reported, as well as is your operation in India being the driver behind Allianz’s global digitalization and Turkey responsible for your CX – customer excellence – software which gathers feedback prior to product development. Can you explain more about what’s happening in these countries and the initiatives they and others are developing?

To be the most digital insurer is not our priority, we rather look at all the aspects

to attract customers and increase customer loyalty. In doing that, for Allianz, digital and global go hand in hand. For example, we just released a motor claims app globally, starting in UK and Austria. It was developed together by Allianz entities across the globe through our Global Digital Factory and supported by the internal IT provider Allianz Technology. The customer gets everything with one click: coverage details, claims status, their Allianz agent – and of course emergency assistance. But as a global, customer-driven project, it’s flexible enough that we can offer it in many markets with easy modifications.

How quickly do you expect your subsidiaries and global functions to adopt digitalization and what innovations will you expect them to embrace?

Our Group-wide “single digital agenda” focuses on both frontend and backend digitalization and the plan is for our subsidiaries and global functions to adopt all relevant elements as soon as possible.



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Insurers are the backbone of society: no large infrastructure project is possible without the involvement of insurers, we are long term investors and also bring stability to markets, we use our assets to support greater good. That includes throwing our weight behind environmental, societal and governance topics.

The subsidiaries are embracing innovation that allows them to focus better on the customer needs while at the same time increasing overall efficiency. At Allianz, we know that increased productivity and increased customer centricity are not mutually exclusive: we need to achieve both with digitalization, simplification and innovation.

As you steer Allianz towards a digital transformation, where do the changes need to be made, how will they lower costs and what are your key areas of focus organisationally and geographically?

Changes are already being made and will continue to be made in how we serve our customers. In order to have a systematic Group-wide approach, we have created customer journeys for retail, starting in one region then rolling out globally. These new digital journeys enable more direct interaction with the customer which reduces transaction costs—both for Allianz and our partners. On the other side, digitalization also means standardizing the backend systems to allow more automation. This speed of processing not only provides a better customer experience, but also allows us to leverage the benefits of scale resulting in lower admin costs.

We expect that digitalization will also increase our revenues. Not only do costs go down, but with new products, services and solutions delivered in a customer-centric manner, we expect business will increase as we attract new customers.

Like MDS Group, Allianz is expanding its footprint in Africa. What are your thoughts on its long-term potential?

Allianz has been in Africa for over 100 years. Today, we are present in 17 countries with 1,500 employees across the region. We believe in the outstanding long-term potential of the continent and specifically of its insurance sector. That's why we actively invest in Africa. Over the last five years, Allianz successfully expanded in South Africa, Congo Brazzaville, Mauritius, Ghana, Kenya, Morocco and most recently in Nigeria. Our strategy is clear, we want to continue to enlarge our footprint in Africa in the coming years, make a significant contribution to the development of the African economy and above all offer much needed protection to the African people. Apart from South Africa, most Africans

and African businesses are currently not insured, or underinsured. They have no safety net when they are hit by a loss.

Insurance also plays an important macro-economic role: it is a savings aggregator that reinvests in infrastructure, local equity, etc. Therefore, developing the insurance sector will contribute to accelerating Africa's development.

During your recent speech in South Africa you said 'Africa is poised to become the digital insurance leader' – why is this?

Anybody who comes to Africa these days to do business would agree with me that the dynamism and optimism tangible across the continent are impressive. Africa has become a place of bold entrepreneurship and striking innovation – especially in the digital space. In fact, “mobile” is everywhere. It is the fastest growing sector and innovation enabler in Africa. Already today, the continent is leading when it comes to mobile payment. This enables huge opportunities for insurance too, with the possibility to take out insurance policies and handle claims by mobile. As a leading pan-African insurer, Allianz will need to offer digitalized products and distribution channels that meet the needs of African customers.

At the last FERMA conference, there was talk of customers looking to insurers to provide more insight and data to help them manage their risks more effectively. How do you see this evolving and how are you planning to manage their expectations?

Since our foundation 128 years ago, data has been one of our biggest assets to help our customers. The rise of Big Data will now lead us to an even superior delivery and further expand our services – as expected by our customers. For example, via an insurtech application we identify next generation liability risks for business customers far earlier than by relying only on current methods. Or we develop a big data tool that will use over 30,000 public sources to identify and visualize supply chain risks for our customers. At Allianz, we are dedicated to supporting our clients by working with them to deliver the best possible solutions for the management, control and reduction of risks – wherever and whenever these occur.

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Similarly, a change in consumer behaviour and how they interact with insurers is greatly impacting the insurance market – what do you see as the key issues and how are you tackling them?

I see two main areas: First, how customers think about their lives, safety and values in general, and, secondly, shifting expectations towards service providers, regardless of industry.

On the first, it's often been quoted that millennials are less willing to plan or bind themselves for the long term, and would generally question traditional value models. I'd be careful to generalize here and it needs to be seen how such observations develop as Generation Y customers grow up, found a family, etc.

Coming to my second point, I'd like to point out that tech companies in fact have already altered expectations on customer interaction. Also, social media and comparison platforms provide unprecedented transparency on offer, price, and customer satisfaction. Without a doubt, today's customers are much more empowered.

These customers expect much more simplicity, speed and flexibility in interaction. Frankly, that is something insurance has not been famous for. We are investing to transform from a "push" to a more attractive "pull" business model. That needs a truly integrated distribution approach which after all will allow agents to spend more value added time with the customers.

You've called for the business to be more client service than sales focused and suggested more client-facing personal advisory roles are necessary. How are you preparing your organization for this transformation?

It is about enabling customers to get in touch with Allianz and to buy our products and services anywhere and anytime. The "pull" model implies that customers come to Allianz because they get simple and easy to understand products as well as superior service and advisory that exactly meet their needs.

We have started this transformation quite some time ago, for example, with a needs-based advisory approach in Germany or a modular product offer in Italy that allows customers and agents to easily configure products they like.



Global Digital Factory, located in the eastern part of Munich in a former production factory

New digital solutions allow our sales people to spend less time on administrative tasks like appointment preparation and rather focus on advice. For generating leads, for example, we optimize our digital marketing capabilities for better client targeting. We also have improved many digital support tools. All of this frees up time of our sales organization to really focus on advisory. Needless to say that we are continuously training our people to equip them with the right skills and capabilities to become superior advisors. And last but not least, we measure the satisfaction level of our customers with the so-called Net Promoter Score and permanently learn from it.

How does this more customer-centric approach fit with your strategy for increased digitalization? The use of impersonal software to calculate premiums and process claims could be seen to contradict the more personal touch you're calling for?

No, by digitalizing our business we increase our customer centricity. The two go hand in hand. Digitalization gives the customer more options for when and how they get in touch with us. It's all about the interfaces. The process itself has already been automated for the last 20 to 30 years.

Through digitalization we can offer customers the choice. When the customer reaches out, whether to make a claim or

request a quote, they can decide how they interact with us, whether via their mobile, via a bot, via email, or, if they prefer a more personal touch, there will always be an option to contact a call center, their agent, or their broker. Customer centricity means giving the customer the choice over how they experience insurance.

In the last few years, Allianz has invested in emerging countries such as China. Where and what markets do you believe will develop further and what is your strategy to support them?

Allianz Group has been active in many emerging markets for many years, and we aim to further strengthen our presence in promising economies in Asia, Africa and South America. This follows our strategy of expanding our footprint beyond our historical strongholds in Europe and enhancing our profile for long-term, profitable growth. But we are not under pressure and would only go for acquisitions or partnerships that clearly fit in strategic, financial and cultural terms.

We do believe that bringing our risk management expertise, combined with our sustainable, long-term perspective, to these markets is also supporting them on their journey for building the necessary environment for business growth and to create better living standards, health systems and financial safeguarding for their people.

In 10 years time, what type of technology do you think people will want to use to manage their insurance portfolio?

We expect digitalization will continue to evolve as an integral part of our lives and our customers' lives. Doing things in a digital way will be the prevailing way. The number of connected ecosystems will increase as the Internet of Things allows more devices to be connected and utilized for insurance as a service. This will create even more interfaces for the customer to interact with us, when and how they choose. Customers will have a wide choice of what interfaces they could use to interact with us or manage their insurance portfolio ranging from their mobile phone or connected watch, through to TV, car or maybe even their toaster.

However, I believe that face-to-face interactions on issues that truly matter will increase.

For years, there has been a special relationship between Sonae SGPS (one of the MDS Group shareholders) and Allianz. At first, Belmiro de Azevedo was a member of the Allianz International Advisory Board, but now it is Paulo Azevedo, Sonae Group co-CEO. Can you tell us more about this Board and the contributions from Belmiro and Paulo?

Firstly, please allow me to express how deeply saddened I am by the passing of Belmiro de Azevedo. I send my heartfelt condolences to his family and friends. It was an honour to have known him, he was a great person and we will miss him. I always had the highest respect for the guidance we were receiving from Belmiro as well as from Paulo, who followed his father as member of our International Advisory Board in 2012, especially on the international market for insurance for small and mid-sized enterprises. This board is advising the Board of Management of Allianz SE, regarding strategic topics and particularly the international activities of Allianz Group. We are very lucky that with Paulo we can continue to count on the valuable market knowledge regarding Portugal and many other countries. I am looking forward to further expanding our collaboration.

Can you tell us more about your operation in Portugal and whether you have any expansion plans?

Our operation in Portugal has been running quite successfully over the years. Allianz is a reference in the local market, both in terms of performance and innovation. In fact, we are front runners on digital insurance transformation in Portugal, putting us in a privileged position to continue to gain market share, addressing new agents' and clients' demands.

Considering our track record, the consolidated operation and the current signs of economic recovery in the country, Allianz will continue to promote growth in Portugal.

You've talked about the need for greater social mobility, is this why Allianz is involved with the investment ready programme 'Encouraging Future Generations'? Can you explain what this is, when it started and how you see it developing?

For many years, Allianz supports children in need all around the globe. In our latest project, Allianz investment ready program, we are assessing start-ups with innovative solutions to improve life conditions for underprivileged young adults.

The project was launched in August 2017, and over 90 start-up-teams have applied. The winner will get funded with startup capital of 40.000 euros and be supported by Allianz mentors and business angels. This approach is very successful, because it is more than classical charity and generates long-term impact in the local communities.

What are the main challenges you face leading an organisation that's nearly 130 years-old? Has there been a cultural shift since you arrived?

Our current business strategy is still spot-on, while the challenges are amplifying: Political uncertainties are at higher levels, financial markets are still far from back in balance and technology companies are increasingly revolutionizing one industry after another. However, Allianz shows strong financial success. This means that we can embark on our transformation from a position of strength — it should not mean that we can sit back and enjoy the ride. Making sure a healthy sense of

urgency exists in the organization and creating a vision, a purpose that is worth coming to work for every day is a key priority for me.

What drives you to succeed?

It's the sense of doing something that will impact lives for the better. As a leader, I have to see the bigger context in which we operate and I have to communicate and stay in dialog with our employees, customers, investors and parts of society to understand and balance needs and interests. Ultimately, life is not about premiums and operating profit, it is about doing something you are proud of.

The insurance sector is not seen as one of the most appealing sectors to work in. How can we change this perception and attract the best talent?

As the competition is intense, insurers have to come up with fresh ideas to attract scarce talent. It takes more than posting job ads and going to university fairs, neither typical marketing campaigns will show effects as talent gets bombarded with such initiatives. What will stand out to talent will be how a company acts, whether what they read about it matches the experience they or their friends have with the company. Having modern communication tools like chat bots, presence on social media channels etc is one thing, but giving the future talent a taste of our values and commitments at every touchpoint of interaction is the key differentiator. With Allianz, top talent will often find their own values matching those of the company. Values of trust, integrity, competence and responsibility towards society.



Allianz Treptowers, Berlin

What advice would you give to anyone considering or starting a career in the insurance industry?

Times have never been better for starting a career in the insurance sector. Digitalization and changing customer needs are disrupting the industry and will keep creating new job profiles in the next decade. The transformation additionally leads to agile and open company cultures and attracts a broader spectrum of candidates. To succeed in insurance business talents will need more than good grades, they must be willing to take on responsibility, work collaboratively, be willing to learn every day and show that they can implement great ideas sustainably.

How do you relax after a day's work? Do you have any hobbies?

My first thought after work is my family and thanks to modern technology, I check in with them every day. Spending quality time with my family and travelling are my favourite activities. I also enjoy tennis and some Yoga and a good dinner among friends. •

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The rise of Big Data will now lead us to an even superior delivery and further expand our services – as expected by our customers. (...) At Allianz, we are dedicated to supporting our clients by working with them to deliver the best possible solutions for the management, control and reduction of risks – wherever and whenever these occur.

The Allianz Group is a global financial services provider with services predominantly in the insurance and asset management business. 86 million retail and corporate clients in more than 70 countries rely on their knowledge, global presence, financial strength and solidity. Allianz SE, the parent company, is headquartered in Munich, Germany.

HIGHLIGHTS OF ACHIEVEMENTS

As an insurer and long-term investor, social and environmental responsibility is fundamental to our day-to-day business

128.2 bn EUR

Sustainable and Responsible Investments (SRI) across AllianzGI and PIMCO

156

Sustainable Solutions generating 1.1 bn EUR

100%

Score for ESG in insurance integration by Dow Jones Sustainability Index

508

Insurance and investment transactions assessed for ESG risks

55.3mn

Customers in the emerging consumer market

-25.3%

CO2 emission reduction per employee since 2010



Source: Allianz Group: facts & figures. August 2017.



ALLIANZ IN NUMBERS

A company with over **140,000** employees



Trusted Partner for more than **86 million** costumers



Among the top 3 Property and Casualty insurers globally



Present in over **70** countries



Europe largest insurer based on market value



Among the top 5 in the life / health business globally



Gold rated in the Dow Jones Sustainability Index



Global leader in travel insurance, assistance services and credit insurance



Among the top 5 asset managers globally

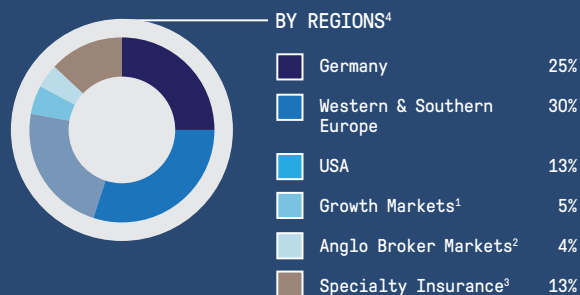
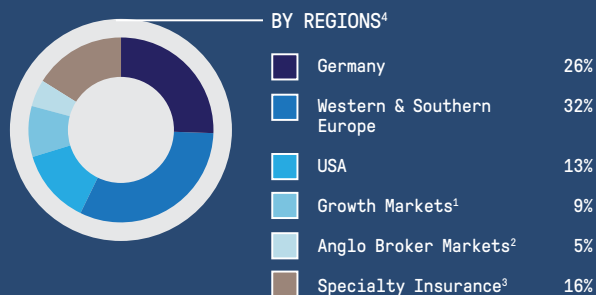
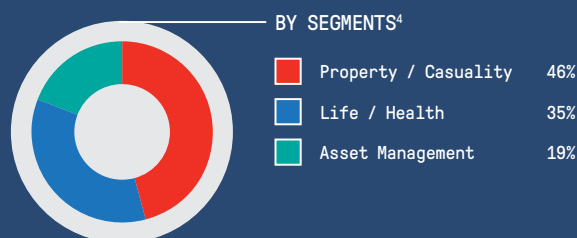
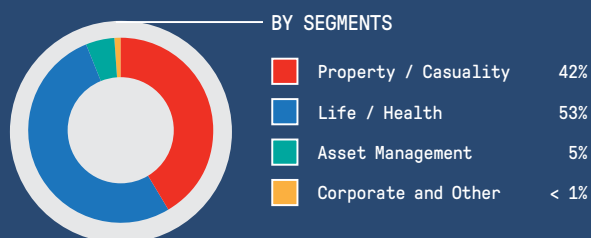


In business for over **125** years

ALL SEGMENTS DELIVER

REVENUE 2016: EUR 122.4 BN

OPERATING PROFIT 2016: EUR 10.8 BN



Property and Casualty insurance

- 2016 internal growth stays strong: 3.1 percent.
- Combined ratio for the full year improved by 0.3 points to 94.3 percent.

Life and Health insurance

- 2016 investment margin drives rise in operating profit
- Shift toward capital-efficient products was reflected in the rise of the new business margin to 2.7 percent

Asset Management

- PIMCO flows stay positive in 4Q;
- Efficiency improves
- Full year 2016 sees better cost-income ratio.

¹ Asia-Pacific, Central and Eastern Europe, Latin America, Middle East and North Africa

² Australia, Ireland, UK

³ Allianz Global Corporate & Specialty, Euler Hermes, Allianz Worldwide Partners, Allianz Re

⁴ Relation of positive parts of operating profit. By segments: without Corporate & Other; All figures as per December 31, 2016