Global businesses – global challenges.

Increasing globalisation and consolidation of industries are fundamentally changing the risk management landscape – and with these changes come new challenges for international risk management.

The challenge

Around the world, in politics and in trade, boundaries are shifting. The 21st Century brings with it an ever-increasing change of pace. From merger activity and acquisitions to outsourcing and the growing internationalisation of the value chain, new risks are emerging – all of which require a dynamic and flexible response. Global businesses therefore require global solutions, and so risk management has never been more challenging or more important.

Your business is global – so are your risks

No longer can risk managers rely on independently arranged local solutions to address such risks. A more holistic and seamless approach is required: one that delivers the assurance of truly global protection, combined with the benefits of local delivery. Such a solution poses a challenge – but for Allianz Global Corporate & Specialty, this is our core business. Challenge us.

Key risk management issues for global businesses

- New risks emerging from mergers, acquisitions and joint ventures
- New exposures from vertical and horizontal integration and accelerated supply chains
- Global interdependencies between suppliers and customers, as well as with business partners
- Increased regulation creates additional need for transparency and corporate governance
- Multinational legal and fiscal environments
- Increased international trade in emerging markets – increasing exposures and the potential for international litigation
- Pressure to improve efficiency and effectiveness of risk management, especially on a globally coordinated basis

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Hong Kong, China
Allianz Global Corporate & Specialty – meeting the challenge.

Set up specifically to meet the needs of large corporations, Allianz Global Corporate & Specialty is the Allianz center of excellence for global insurance solutions.

A global company for global clients

Bringing together over 2,000 employees worldwide – all with specialist expertise in corporate and specialty insurance – Allianz Global Corporate & Specialty is structured to service the specific needs of the most complex international businesses, across all industries and sectors. We operate as a single risk carrier in the Allianz Group, focusing on international clients and benefiting from a single global balance sheet and a ‘Very Strong’ security rating, but also harnessing the combined resources of the Allianz Group. Offering an extensive product range across the full spectrum of corporate risk, we are able to offer genuine multi-location coverage on a global basis across multiple lines of business.

Allianz Global Corporate & Specialty – at a glance

- Full range of products and services covering corporate and specialty insurance
- Provides insurance for more than half of the Fortune Global 500 companies
- Extensive international experience and sector specific knowledge
- Worldwide network utilizing the combined resources of the Allianz Group
- Market leading capacity – to handle the largest risks
- Dedicated local Key Account Managers and client teams delivering fast responses
- AA ‘Very Strong’ Standard & Poor’s rating, reflecting our strong capital base
- Diversified risk portfolio and capital efficiency offers stability and long term consistency

Products and Services

<table>
<thead>
<tr>
<th>Aviation</th>
<th>Marine</th>
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<tr>
<td>Property</td>
<td>Liability</td>
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<td>Engineering</td>
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<td>Financial Lines</td>
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<td>Risk Consulting</td>
<td>Captives &amp; Fronting</td>
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<td>Claims Handling</td>
<td>IP2 Handling</td>
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Allianz Global Corporate & Specialty benefits from a AA ‘Very Strong’ Standard & Poor’s rating – independent of our parent company – and an A.M. Best rating of A.

Allianz Global Corporate & Specialty offers clients a unique combination of products and services, with proven experience of global coverage for multi-location risk exposures.

1 as of August 2008
2 International Insurance Program
International Insurance Programs – our approach.

Delivering single point access for clients to a wide range of specialized insurance services, Allianz Global Corporate & Specialty has an established reputation as a leading provider of bespoke International Insurance Programs for multi-national clients.

**Fit for purpose**

Allianz’s International Insurance Programs (IIPs) are tailor-made solutions to respond to the multi-national risks of our clients. Each IIP consists of a centrally coordinated combination of local policies and a master policy which provides cover on a Difference in Conditions and/or Difference in Limits (DIC/DIL) basis, thereby harmonizing cover for the benefit of corporate clients across all locations. Our IIP clients range from smaller companies with only a few international locations to the largest global corporations with the most complex exposures spanning dozens of countries. For all such clients, irrespective of their size, an Allianz IIP can deliver a holistic approach to international risk management, offering:

- Risk-adequate local policies issued considering local specifics and client exposures, delivering compliance with local regulatory and fiscal rules
- Centrally coordinated master policy with harmonised DIC/DIL protection worldwide
- Transparency and contract certainty
- Efficiency through central coordination and control via the parent company
- Centrally coordinated claims handling process
- Aligned global risk management & loss control approach
- Information on exposures, policies and claims centrally recorded

**Tailored benefits**

Multi-national risk exposures are naturally complex. Various locations, each with their own specific requirements, can be accommodated within a combination of local policies embedded in a global ‘umbrella’ of coverage. For this reason, Allianz IIPs are always tailor-made. We don’t believe in ‘one-size-fits-all’ solutions, as of course each client’s needs vary and require an individual response. Leading over 1,000 International Insurance Programs, with more than 7,000 client policies attached, Allianz Global Corporate & Specialty has the experience and resources to customize coverage to suit the specific needs of each client.

**One to one service**

We also believe in simplicity. It’s important to bring clarity and consistency to what can be a complex situation. So we ensure that our clients have dedicated Key Account Managers, who are all experienced insurance professionals, able to lead the team that coordinates the overall management of the program. This integrated approach delivers transparency and enhances the client service, improving communications and simplifying operational delivery – to the mutual benefit of all. After all, what’s the point in creating an international program if the end result is more complex than the starting point?
Managing worldwide risk –

Managing worldwide risk –

Managing worldwide risk –

a global network for local delivery.

An effective international network is one of the key requirements for effective IIP management and delivery – putting practical resources at the disposal of our clients around the world.

The Allianz network spans the globe in over 150 countries.

A core element that sets Allianz apart is our truly worldwide reach. With one of the most extensive own networks of any corporate insurer, Allianz Global Corporate & Specialty is represented in over 150 countries – of which the majority are Allianz-controlled companies. By combining Allianz companies with carefully selected network partners, we can provide clients with the optimal mix of high quality local representation. This ensures that our clients have easy access to Allianz services wherever they need them.

Network partners

Successful IIP service depends not only on a worldwide network: the quality of the local partner is also of critical importance. Allianz Global Corporate & Specialty goes to great lengths to select carefully all our network partners, by only partnering with companies who pass our global quality standards:

1. Minimum volume of local commercial and industrial lines business
2. Established position in the top tier of local insurers, with a matching competence in domestic corporate insurance
3. Defined performance standards in operations
4. Financial security assured, typically demonstrated by a minimum A rating from Standard & Poor’s (or equivalent agency)
5. Can assume other lines (outside global program requirements or on a compulsory local basis) as required

Central network coordination, decision-making and steering delivers transparency and an integrated approach as well as ensuring global coverage that is fit for purpose.

Our network partners deliver quality service worldwide.

Argentina
Angola Armenia Australia Azerbaijan
Belgium Benin Bermuda Bosnia Herzegovina Botswana Brazil Brunei
Bulgaria Burkina Faso Cambodia Cameroon Canada Central African Republic
Chile China Colombia Costa Rica Croatia Czech Republic Denmark Djibouti Dominican Republic Ecuador Egypt El Salvador England France Germany Ghana Greece Guam Guatemala Honduras Hungary Iceland India Indonesia Iran Ireland Israel Italy Ivory Coast Japan Jordan Kazakhstan Kenya Korea, Republic of Kuwait Kyrgyzstan Laos Latvia Lebanon Lesotho Lithuania Luxembourg Macedonia Malaysia Mali Mauritius Menorca Micronesia Morocco Mozambique Myanmar Namibia Netherlands New Zealand Nigeria Norway Pakistan Panama Papua New Guinea Peru Philippines Poland Portugal Puerto Rico Qatar Romania Russia Saint Lucia Saudi Arabia Senegal Serbia and Montenegro Singapore Slovak Republic Slovenia South Africa Spain Sri Lanka Suriname Swaziland Sweden Switzerland Syrian Arab Republic Taiwan Tanzania Thailand Trinidad and Tobago Tunisia Turkey Uganda Ukraine United Arab Emirates United Kingdom United States Uruguay Uzbekistan Viet Nam French West Indies Yemen Zambia
Program structure – process and practice.

Spanning many industries and countries worldwide, there is a wide variety to the individual requirements of our clients. Their varying exposures and local needs demand individually adjusted international insurance structures – which are always carefully designed on a case-by-case basis.

In practice

No two programs are the same: not only do clients’ needs vary, but so does the structure of IIPs in respect of different product lines. For instance, an Engineering program will require a different approach to a Marine Cargo solution. This is one of Allianz’s key advantages because of our experience in the bespoke design of individual IIPs – as well as the breadth of our product range. In order to demonstrate how a typical IIP is structured, we outline below two examples of the more common IIP product types: Property and Liability.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Master Policy provides Difference in Conditions (DIC) and Difference in Limits (DIL) cover, over and above locally admitted policies.</td>
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<tr>
<td>1 Parent company (e.g. in France)</td>
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<td>2 Germany</td>
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<td>3 UK</td>
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<td>4 Canada</td>
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<td>5 Australia</td>
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<td>6 Mexico</td>
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<td>4 Hong Kong</td>
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<td>5–7 US Primaries</td>
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From concept to reality.

From the initial idea to the deployed program may seem a complex process. But in practice, Allianz adopts a structured approach which effectively manages this complexity, breaking the process down into clearly defined steps. Whilst each client’s circumstances will vary, the key steps typically follow a four-stage process:

1. Planning
   - Initial information gathering
   - Review of client specific requirements
   - Screening of countries involved (legal and regulatory requirements)
   - Appointment of client team
   - Risk and coverage assessment
   - Claims and risk consulting services review
   Aim: Client exposures mapped; program requirements specified.

2. Design
   - Client requirements mapped to Allianz network
   - Scope of global program agreed
   - Local policy requirements addressed
   - Risk survey program designed
   - Service level agreement prepared
   - Quote offered
   - Program set up and service level agreement signed off and in place
   Aim: Program design meets client’s needs.

3. Deployment
   - Data load to Allianz’s Global Program System (GPS)
   - Implementation of local policies
   - Local broker, client and Allianz office agree on local policy delivery and premium collection
   - Processing of facultative reinsurance for fronted policies
   - Local policies issued by Allianz office
   - Issuance of master policy and related premium invoice
   - Agreed services delivered (Risk Consulting, Claims, Fronting)
   Aim: Effective delivery through regular dialogue, ensuring quality of service and identifying any issues at early stage.

4. Monitoring & adjustment
   - Measure progress and performance against Service Level Agreement (SLA)
   - Regular client team reviews and feedback to client
   - Ongoing risk survey and mitigation program
   - Implementing mid-term adjustments when required
   - Claims service reviews
   - Net Promoter® Score® reviews
   Aim: Effective delivery through regular dialogue, ensuring quality of service and identifying any issues at early stage.

Net Promoter® Score®

Allianz uses the Net Promoter® Score methodology to seek actionable feedback from our clients, brokers and other key stakeholders on our performance. By actively reviewing our service on a 1:1 basis, we are able to identify service improvements which can then be deployed quickly in practice.

Net Promoter® Score® is a registered trademark of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.
Local compliance.

With multiple legal and tax regimes worldwide, all IIPs require a careful evaluation of the different options available.

At the core of an Allianz IIP is the concept of a global master cover, providing umbrella protection over and above any underlying local policies. Within this core concept, it is possible to adopt different approaches to the issuance of local policies, subject to the client’s wishes and – equally important – meeting the local regulatory and tax requirements. Typically, there are four basic scenarios to be considered:

**Stand-alone local policies worldwide**

Allianz Global Corporate & Specialty’s standard approach is to utilise locally admitted policies (i.e. those policies which typically are issued by our local offices or by selected network partners). This approach takes full advantage of the Allianz Global Corporate & Specialty network in over 150 territories worldwide.

Furthermore, locally issued policies offer the client a number of key advantages:

- The local policy meets the local legal and regulatory requirements
- The policy will be issued in the local language
- The policy offers the client the possibility of accessing special local covers, such as catastrophe pools
- All local policies are issued to what Allianz refers to as ‘good local standard’, being fully compliant with local policy standards so that the local cover offered is adequate for the client’s requirements
- The policy offers the client the possibility of accessing special local covers, such as catastrophe pools
- The policy will be processed locally, meeting all local fiscal requirements

International Insurance Program – local policies combined with master cover

Limitations in local policies are addressed by the Allianz master cover providing DIC/DIL (Difference in Conditions and Difference in Limits) cover to accommodate coverage gaps at local level.

Therefore, an International Insurance Program is agreed upon, with a Master Cover in the domicile country of our client and local policies issued in those countries where the client has exposure.

We negotiate with the head office of our client the worldwide scope of coverage desired and the premium. We will then instruct our worldwide network to issue local policies according to ‘good local standard’ with enhancement up to the scope of the coverage agreed upon by the head office of our client.

Claims handling is managed locally, with central monitoring and coordination, allowing prompt responses from local loss adjusters and claims teams. In the event of a loss, claims can be paid locally. The premium allocation is done in a risk-adequate way, fully reflecting the scope of the local risk and therewith allowing processing of local taxes, levies and fees, where applicable.

Freedom of Services (FOS)

As an insurance company established in the European Union, Allianz Global Corporate & Specialty can offer insurance coverage within the European Union (EU) and the European Economic Area (EEA) in accordance with ‘Freedom of Services’ (FOS) principles (e.g. for Property, Engineering and Marine).

The clients benefit from the simplicity of having one policy covering its risk locations in the European Union/European Economic Area as well as from a reduced requirement for overall policy administration and broker representation. The premium will be allocated per EU/EEA country in a risk-adequate way to ensure proper local payment of taxes and special local levies. However, clients in relation to their organisation set up may prefer to have local policies in each country, and may value the benefit to have contact to the local insurer.

Non-admitted policies

Non-admitted insurance is a policy issued by an insurer to an insured in a territory where that insurer is not licensed. Non-admitted insurance is generally not allowed, but, subject to the fulfilment of certain conditions, it may be permissible in certain circumstances, e.g. upon prior approval by the local supervisory authority or where the policy is issued at the specific request of the insured.
This approach requires clear understanding of local laws and regulations in order to strive for full local compliance. Allianz Global Corporate & Specialty collects updated information on regulatory and tax requirements and carefully factors them into the design of each and every program. In rare cases, local regulations may absolutely prohibit non-admitted insurance, making it subject to a variety of sanctions and penalties. D&O/DIL risks located in these countries are dealt with on a case by case basis in close collaboration with all parties involved.

What makes our programs work? People, tools, procedures.

The true test of an IIP’s effectiveness comes in its deployment in practice. It is here, after the preparation, design and structuring of the program, that Allianz Global Corporate & Specialty clients benefit from our dedicated resources, focusing on IIP implementation.

Client teams

Led by a Key Account Manager, each IIP client has a dedicated team to coordinate service delivery. Made up of cross-departmental representatives – from Underwriting to Operations and Claims – the client team provides the client with effective and fast access to key decision makers within Allianz Global Corporate & Specialty including, when required, specialists from other Allianz units. This ‘client focus’ approach delivers speed of response and flexibility through local decision making, which is supported by a regular meeting schedule between all partners involved – client, broker and insurer.

IIP clients can easily access a wide range of other Allianz services such as alternative risk solutions (from Allianz Risk Transfer) or trade and credit risk solutions (from Euler Hermes).

Risk Consulting

We believe that only by striving to understand each client’s individual requirements can we help manage and reduce risk – to the mutual benefit of all. With over 200 specialists worldwide, ‘Allianz Risk Consultants’ has the strength in depth to help IIP clients develop a consistent global risk management approach with practical support on the ground. This multi-disciplinary team of engineers and consultants is able to provide our IIP clients with bespoke advice across all industry sectors, with a particular focus on:

- Property Damage & Business Interruption
- Construction and Civil Engineering Projects
- Construction projects in various classes of industry including power and utilities, oil and gas and heavy industry
- Machinery and Process Equipment
- Health and Safety (Employer’s Liability)
- Public, Products and Environmental Liability
Claims services – the promise delivered

The response to a claim is the key test of any insurer – and never more so than with international programs. Allianz fields an experienced and qualified global claims team, which is integrated into each client team from inception, offering customized claims handling procedures and extensive worldwide resources for local claims. Adopting a simple and transparent approach based on communication, our aim is to provide an exemplary service – centrally coordinated yet locally deployed – with the size and strength in depth to meet your needs.

In the event of a claim under a local policy, claims payments will be made locally. Such claims are normally paid in the local currency, thereby eliminating foreign exchange exposure. Where claims are covered on a DIC/DIL basis, payment would in general be made to the parent company. In either case, it is key that all claims are notified and coordinated centrally – by the Allianz office leading each program. This enables the client to have a central overview of all claims activity and enforces a common claims adjustment philosophy across the overall program. In general the local office would not be allowed to reject a claim without prior consultation with the lead office, thereby maintaining full claims transparency and consistency of approach.

Operations and Network Management

With over 1,000 IIPs under lead management, Allianz has proven experience in operational program delivery. Each of our network territories has an appointed Network Manager whose task is to ensure effective delivery of all IIP network functions in each location. In addition, operations teams across Allianz Global Corporate & Specialty focus on the day-to-day implementation of program administration, ensuring communication of the program details throughout the network (via the Allianz GPS® platform) and implementation and issuance of local policies in conjunction with the underwriting teams.

In practice, the lead for each IIP will reside in the Allianz office at the domicile of the corporate client and, as part of the client team, the operations manager will take an active role to ensure smooth local delivery and program administration.

Captive and fronting services

Many IIP clients will manage their IIP exposures through their own captive, often requiring fronting services where the client needs local policy issuance through the Allianz network. Fronting for captives is an area in which Allianz has many years of experience and would typically include local claims handling, premium collection, transfer and payment services and local policy issuance. Solutions are always tailored to meet the client’s specific requirements, but often encompass a layered approach combining captive layers and structured reinsurance.

Global Program System (GPS)

All IIPs require fast and transparent information management which we record in Allianz’s Global Program System (GPS), our management platform for international programs (e.g. Property and Liability).

- Central process control of coordinated programs (Quote, Initial Installation, Renewal)
- Central records of information on policies and claims in one system
- Global overview of communication related to contracts & claims
- Information about country contacts and regulations

GPS allows effective and timely communication and processing between local and central offices. It assures delivery of accurate data based on applied practices across the different entities and cultures.

Clear communication and information exchange between all partners are key elements to the successful implementation of IIPs in practice: Allianz’s processes ensure that all parties are kept closely informed through regular meetings and status reports.
Contact

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Global Market Management & Communication

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