



Best's Credit Rating Effective Date

September 10, 2020

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Information

- [Best's Credit Rating Methodology](#)
- [Understanding Best's Credit Ratings](#)
- [Market Segment Outlooks](#)

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Allianz SE

AMB #: 085014 | **AIIN#:** AA-1340026

Associated Ultimate Parent: AMB # 085449 - Allianz SE

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A+
Superior
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

aa
Superior
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Strong
Business Profile	Very Favorable
Enterprise Risk Management	Very Strong

Rating Unit - Members

Rating Unit: Allianz SE | AMB #: 085014

AMB #	Rating Unit Members
002268	AGCS Marine Insurance Company
093686	AWP Health & Life S.A.
078025	AWP P&C S.A.
093335	Allianz Global Corp & Spec BR
087997	Allianz Global Corp & Spec SE
000407	Allianz Global Risks US Ins Co
006830	Allianz Life Ins Co of NA
009417	Allianz Life Ins of New York
086517	Allianz México SA Cia de Seg
073713	Allianz Risk Transfer (BM) Ltd
077703	Allianz Risk Transfer AG
085309	Allianz S.p.A.

AMB #	Rating Unit Members
085449	Allianz SE
002618	Allianz Underwriters Ins Co
002176	American Automobile Ins Co
002177	American Insurance Company
002178	Associated Indemnity Corp
002266	Chicago Insurance Company
002097	Euler Hermes NA Insurance Co.
001892	Fireman's Fund Indemnity Corp
002179	Fireman's Fund Insurance Co
002267	Interstate Fire & Casualty Co
004001	Jefferson Insurance Company
002182	National Surety Corporation

Rating Rationale

Balance Sheet Strength: **Strongest**

- The consolidated level of risk-adjusted capitalisation of Allianz SE (Allianz) is expected to remain at the strongest level as measured by Best's Capital Adequacy Ratio (BCAR) despite market volatility experienced during 2020.
- Allianz has a sophisticated and conservative capital management approach. Despite a significant decline in the group's Solvency II SCR ratio to 187% as at 30 June 2020, it remains in line with the group's target.
- Strong liquidity and sound asset-liability management, enhanced by the capabilities of the group's asset management division.
- Financial flexibility is considered excellent, due to a track record of strong capital generation, moderate financial leverage, good coverage ratios and a good standing in capital markets.
- Prudent reserving practices and a sophisticated reinsurance programme for tail-risk reduction.

Operating Performance: **Strong**

- Track record of strong and stable operating performance, demonstrated by a five-year (2015-2019) weighted average return on equity of 10.9% (as calculated by AM Best).
- Diversified earnings profile by line of business and geography. Results are enhanced by asset management and investment income. Despite macroeconomic disruption during 2020, the group continues to report solid profits.
- The property/casualty segment achieved a combined ratio of 95.5% in 2019, compared to 94% in 2018. The deterioration was largely driven by significant reserve strengthening by Allianz Global Corporate and Specialty (AGCS).
- The life/health segment produced a robust EUR 4.7 billion operating profit in 2019 driven by volume growth and a stable investment margin.
- Allianz grew its level of assets under management (AUM) by 15% to EUR 2.3 trillion at year-end 2019. With revenues largely AUM-driven, operating profit for asset management improved by 7% to EUR 2.7 billion.

Business Profile: **Very Favorable**

- Allianz is one of the largest insurance groups in the world, and it has excellent diversification by product and geography, with a mix of property/casualty, life/health and asset management businesses.
- Through its subsidiaries, Allianz group has a leading position in European personal lines and leading global positions in credit insurance, assistance, corporate insurance and asset management.
- Despite a competitive environment, the group maintains leading positions in its core markets, aided by its vast scale, strong brand, technical excellence and diversified distribution. The group has achieved 2.5% average growth in non-life premiums over the past five years (2015-2019).
- Allianz is expected to remain one of the leading groups in the global insurance market, supported by its forward-looking business strategy and its drive to enhance the insurance value chain through digitalisation.

Enterprise Risk Management: **Very Strong**

- Sophisticated enterprise risk management (ERM) framework embedded throughout the organisation, resulting in a risk-aware culture at all levels.
- Risk strategy and appetite form an integral part of business strategy formulation and planning, supported by forward-looking risk identification and stress testing.
- Allianz is considered to have a relatively high risk profile, which is matched by its excellent risk management tools and capabilities.

Outlook

- The stable outlooks are underpinned by the expectation that risk-adjusted capitalisation will remain at the strongest level as measured by BCAR, supported by conservative capital management and excellent financial flexibility. The insurer is expected to remain one of the leaders in the global insurance market and to continue demonstrating strong operating performance, supported by superior diversification by line of business and geography.

Rating Drivers

- A sustained improvement of operating performance could result in positive rating pressure.
- Negative rating pressure could follow a weakening in risk-adjusted capitalisation below the level required for the strongest BCAR assessment.
- A sustained deterioration of operating performance could result in negative rating actions.

Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	59.2	46.6	41.4	40.3

Source: Best's Capital Adequacy Ratio Model - Universal

Key Financial Indicators	2019 EUR (000)	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)
Net Premiums Written:					
Life	25,218,000	23,730,000	24,613,000	24,291,000	24,524,000
Non-Life	52,154,000	48,953,000	47,821,000	47,138,000	46,664,000
Composite	77,372,000	72,683,000	72,433,000	71,430,000	71,188,000
Net Income	8,302,000	7,703,000	7,207,000	7,329,000	6,987,000
Total Assets	1,011,185,000	897,567,000	901,300,000	883,809,000	848,942,000
Total Capital and Surplus	77,364,000	63,680,000	68,602,000	70,135,000	66,099,000

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2019 EUR (000)	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)	Weighted 5-Year Average
Profitability:						
Balance on Life Technical Account	4,755,000	4,219,000	4,611,000	4,191,000	3,986,000	...
Balance on Non-Life Technical Account	1,902,000	2,770,000	1,902,000	2,220,000	2,148,000	...
Net Income Return on Revenue (%)	8.1	8.2	7.4	7.5	7.2	7.7
Net Income Return on Capital and Surplus (%)	11.8	11.6	10.4	10.8	10.8	11.1
Non-Life Combined Ratio (%)	95.5	94.0	95.2	94.3	94.6	94.7
Net Investment Yield (%)	2.2	2.1	2.4	2.6	2.6	2.4

Leverage:

Net Premiums Written to Capital and Surplus (%)	104.6	118.7	110.5	106.5	112.7	...
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Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

The balance sheet strength of Allianz is underpinned by risk-adjusted capitalisation at the strongest level, as measured by BCAR. The group's high exposure to market risk (interest rate, equity and credit spread risk amongst others) is addressed by conservative capital management and sound asset-liability management practices, enhanced by the capability of its asset managers. Financial flexibility is considered excellent, due to a track record of strong capital generation, moderate financial leverage, good coverage ratios and a good standing in the capital markets. Balance sheet strength is also supported by prudent reserving and a sophisticated reinsurance programme for tail risk reduction. An offsetting factor is some constraints on capital fungibility; a typical regulatory impediment for life insurers, which is mitigated by the group's strategy of maintaining excess liquidity at the holding company.

Balance Sheet Strength (Continued...)
Capitalisation

The BCAR scores presented under the "Best's Capital Adequacy Ratio Summary" section of this report are based on Allianz's year-end 2019 consolidated audited financial statements.

Allianz's risk-adjusted capitalisation (RAC) is expected to remain at the strongest level, as measured by BCAR, supported by strong earnings generation and retention. During 2019, the group's reported capital and surplus grew significantly as a result of retained earnings and gains on investment, however in the required capital also increased in line with the expansion of Allianz's balance sheet. AM Best expects overall stability in the group's risk-adjusted capitalisation in 2020 despite market turbulence, supported by continued strong profitability and the suspension of the second tranche of the share buy-back programme. However, as a result of Allianz's considerable life operations in Europe and the United States, it manages a large balance sheet and is exposed to considerable market risk, which subjects RAC to potential volatility. However, the group's conservative capital management approach, which incorporates significant capital buffers, as well as its prudent risk management practices, reduce the likelihood of RAC falling below the strongest level.

The overall quality of the group's capital is supportive of the strongest balance sheet strength assessment, in spite of the significant volume of soft elements included in adjusted capital and surplus in BCAR, such as a credit for the embedded value of in-force business.

Allianz's dividend policy aims to maintain a payout ratio of 50% of net income, along with a ratchet to keep the dividend per share at least at the level paid in the prior year. Furthermore, Allianz has committed to flexible payment of excess income above that required for external growth. In line with its dividend policy and due to the external growth budget being largely unused, the company implemented several share buybacks in 2018 and 2019, totaling EUR 4.5 billion. The planned buyback for 2020 of EUR 1.5 billion was suspended in April 2020 after completing EUR 750 million improving the group's solvency position.

Allianz has a robust record of capital growth over its recent history, with its total capital (including minority interest) increasing at a 10-year compound annual growth rate of 4.0% over the period 2015-2019, after dividends and buybacks. Financial flexibility is considered excellent due to Allianz's track record of successfully accessing capital markets, its moderate debt leverage and good interest coverage ratios. As at 2019 year-end, Allianz held EUR 9.2 billion of senior debt and EUR 13.2 billion of subordinated debt on its balance sheet.

Allianz retains the vast majority of its underwriting risks. The group's outwards reinsurance largely relates to fronting business and to coverage for reduction of peak risks. Outwards reinsurance purchasing is relatively sophisticated and is centralised through Allianz Re, a business unit within Allianz SE.

Sophisticated capital management is a positive factor for the balance sheet strength assessment. Capital management guidelines relating to its Solvency Capital Requirement (SCR) coverage ratio under Solvency II (SII) are published, with the group defining its target range as 180% or higher. According to its guidelines, a fall in the SCR ratio below 160% would trigger an adjustment to group's dividend policy, and a fall below 145% would lead to capital actions. As at the second quarter of 2020 Allianz's SII ratio was above its target range, at 187%.

As a part of the group's capital management strategy, additional capital is maintained at the group level in liquid funds. These funds fluctuate between EUR 4-5 billion and are available to support subsidiaries when their individual RAC is under pressure.

Capital Generation Analysis	2019 EUR (000)	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)
Beginning Capital and Surplus	63,679,000	68,602,000	70,135,000	66,099,000	63,702,000
Net Income	8,302,000	7,703,000	7,207,000	7,329,000	6,987,000
Net Unrealized Capital Gains (Losses)	10,747,000	-5,230,000	344,000	910,000	-2,997,000
Currency Exchange Gains (Losses)	412,000	141,000	-1,986,000	164,000	1,050,000
Change in Equalisation and Other Reserves	-1,435,000	-3,396,000	-3,299,000	37,000	306,000
Stockholder Dividends	-4,062,000	-3,673,000	-3,661,000	-3,646,000	-3,382,000
Other Changes in Capital and Surplus	-279,000	-468,000	-138,000	-758,000	433,000
Net Change in Capital and Surplus	13,685,000	-4,923,000	-1,533,000	4,036,000	2,397,000
Ending Capital and Surplus	77,364,000	63,679,000	68,602,000	70,135,000	66,099,000
Net Change in Capital and Surplus (%)	21.5	-7.2	-2.2	6.1	3.8

Source: BestLink® - Best's Financial Suite

Balance Sheet Strength (Continued...)

Liquidity Analysis (%)	2019	2018	2017	2016	2015
Liquid Assets to Total Liabilities	80.3	78.6	79.3	78.9	78.5
Total Investments to Total Liabilities	95.3	94.2	93.9	93.7	93.9

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

In line with the geographical split of its insurance business, the majority of Allianz's fixed-income portfolio is invested in European bonds and loans, the vast majority (93% at year-end 2019) of which are of investment-grade. Allianz has significant exposure within its portfolio to alternative assets with alternative equity (including real estate) totaling 9% and alternative debt totaling 11% of the allocation at year-end 2019. The private debt allocation mostly included mortgages, infrastructure debt and private placements.

In AM Best's view, Allianz has ample resources to meet its liquidity needs. The majority of its investment portfolio consists of highly rated fixed income securities, which are easily marketable. Cash flow requirements are constantly monitored on a group-wide basis, and the group's subsidiaries benefit from access to a group-wide cash pooling facility. Allianz's active asset-liability management minimises its liquidity risks.

Composition of Cash and Invested Assets	2019 EUR (000)	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)
Total Cash and Invested Assets	889,628,000	785,426,000	781,768,000	762,698,000	734,786,000
Cash (%)	1.7	1.5	1.6	1.3	1.6
Bonds (%)	60.1	60.4	60.8	62.3	61.7
Equity Securities (%)	7.6	6.8	6.9	6.0	5.9
Real Estate, Mortgages and Loans (%)	13.5	14.7	14.1	14.5	15.5
Other Invested Assets (%)	15.6	15.0	15.6	14.9	14.6
Total Cash and Unaffiliated Invested Assets (%)	98.5	98.5	98.8	99.1	99.3
Investments in Affiliates (%)	1.5	1.5	1.2	0.9	0.7
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Allianz prudently sets its reserves in line with best market practices. Over the last ten years, P/C reserves for the majority of the group's accident years have developed positively.

Operating Performance

Allianz has a record of strong and stable overall results over an extended period of time, supported by highly diversified operations. Allianz's earnings have a good split across three main activities: property/casualty, life and asset management, and further across 83 operating entities. This diversification of earnings has contributed to the group's stable profitability. Strong profitability is reflected by a five-year weighted average return on equity of 10.9%, as measured by AM Best.

The prolonged low interest rate environment is having a negative impact on Allianz's investment yield, which continues to fall. However, strong performance of its insurance operations partly alleviates pressure to increase risk appetite in order to improve returns. Allianz's asset management operations provide solid cash flows and operating profits that are not directly correlated with the results of its insurance businesses. AM Best expects Allianz to continue to report strong performance for the foreseeable future. Over the longer-term, diversified and uncorrelated revenue streams are expected to support the maintenance of strong and relatively stable earnings.

In 2019, the group reported a profit of EUR 8.3 billion, compared to EUR 7.7 billion in 2018. This translated into a return on equity of 11.8% (AM Best measure). Return on equity as measured by Allianz (13.6%) was within management's target range ($\geq 13\%$).

- - Property / Casualty - -

Operating Performance (Continued...)

Allianz's P/C combined ratio of 95.5% in 2019 was weaker than its five-year weighted average of 94.7%. Operating profit reduced from EUR 5.7 billion to EUR 5.0 billion. A significant driver of this was poor performance at Allianz Global Corporate & Specialty (AGCS), which produced a negative operating profit for the year as a result of significant reserve strengthening, largely relating to long-tail lines of business. This was in contrast to continued strong performance from key territories with Germany, France and Italy reporting combined ratios of 92.4%, 98.0% and 83.3% respectively. Performance was supported by favourable rate movements, with an average 3.1% improvement on renewals during 2019, and a lower natural catastrophe impact of 1.5 combined ratio points. AM Best notes a diminishing run-off ratio which reduced from 4.1% in 2018 to 2.1% in 2019.

-- Life / Health --

Allianz's L/H operating profit improved strongly in 2019 over 2018, reaching EUR 4.7 billion (2018: 4.2 billion). The key drivers were growth in volumes, and a positive one-off profit in the US business associated with a change in the deferred acquisition cost amortisation period for fixed index annuities in the US. The group's investment margin in percentage terms remained stable at 0.86% and measured in EUR improved to EUR 4.0 billion from EUR 3.8 billion in 2018 due to volume growth. The group's L/H results are heavily reliant on the performance of its business units in Germany, France and the US, which accounted for 63% of L/H operating profit. These are distinct mature life markets where the group has a strong and sustainable competitive position.

Persistence of the low interest rate environment is adding negative pressure to the profitability of Allianz's L/H operations. Although the group is actively selling new capital efficient products with lower guarantees, it carries reserves for a large volume of business with material embedded guarantees. The group continues to adjust its business mix to more capital-light products, with the share of guaranteed savings and annuities at 19% in 2019 measured as a proportion of present value of new business.

The group's Value of New Business (VNB) increased by 3.8% to EUR 2.2 billion in 2019, principally driven by improvements from Germany. The New Business Margin (NBM) weakened by 30 basis points to 3.2% in 2019, as a result of unfavourable market movements.

-- Asset Management --

The 2019 operating profit for Allianz's Asset Management (AM) division was EUR 2.7 billion, an increase from EUR 2.5 billion in 2018. Assets under management (AuM) improved by 15.6% at year-end 2019 to EUR 2.3 trillion (2018: EUR 2.0 trillion) with EUR 582 billion of this represented by group assets. The business saw 6% revenue growth, to EUR 7.2 billion, which was mostly AuM-driven: performance fees represented 7% of revenues in 2019.

-- Investment Results --

In recent years, Allianz has lowered the risk of its fixed income portfolio by actively managing its sovereign bond investments and reducing its investment exposure to the banking sector. At the same time, the group has increased its exposure to real assets (including equities, real estate, infrastructure and renewable energy). Allianz's investment strategy is coordinated by Allianz Investment Management (AIM), which seeks to enhance the group's ability to invest proactively on a global scale. AIM aims to contribute to capital efficiencies by achieving optimum risk-adjusted returns. AIM sets guidelines for the whole group regarding maximum exposure. Of the group's invested assets, approximately 20% are expected to be placed into alternative assets, including real estate, over the medium term. While these assets are generally more risky and are likely to attract higher capital changes than traditional fixed income investments, they allow the group to match their liabilities with assets that generate relatively high returns.

Allianz's investment return (excluding capital gains) improved to 2.5% in 2019 from 2.4% in 2018, reversing a downward trend. This was a result of a higher trading result, lower equity impairments and higher realisations on debt securities. Capital gains have been beneficial to Allianz's overall investment return in each of the past 5 years. Although an increase in global interest rates is likely to benefit the group's reinvestment rate, it may have a negative impact on its shareholders' equity in the short term, through unrealised losses on available-for-sale securities.

Financial Performance Summary	2019 EUR (000)	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)
Pre-Tax Income	11,078,000	10,399,000	10,148,000	10,413,000	10,196,000
Net Income after Non-Controlling Interests	7,915,000	7,462,000	6,803,000	6,962,000	6,616,000

Source: BestLink® - Best's Financial Suite

Operating Performance (Continued...)

Operating and Performance Ratios (%)	2019	2018	2017	2016	2015
Overall Performance:					
Return on Assets	1.0	1.0	0.9	1.0	1.0
Return on Capital and Surplus	11.8	11.6	10.4	10.8	10.8
Non-Life Performance:					
Loss and LAE Ratio	68.0	66.0	66.5	65.6	66.2
Expense Ratio	27.5	28.0	28.7	28.7	28.4
Non-Life Combined Ratio	95.5	94.0	95.2	94.3	94.6

Source: BestLink® - Best's Financial Suite

Business Profile

Allianz maintains a very favourable business profile as a leading global financial services provider, offering life and non-life insurance products, as well as asset management services. It is one of the largest insurance groups in the world, writing gross written premiums of EUR 82.9 billion and total revenues of EUR 142.4 billion against shareholders' equity of EUR 74.0 billion in 2018.

The group's vast scale and substantial global resources stand it apart from all but a small number of global competitors. Revenue and earnings are highly diversified by geography, by operating unit and by line of business. Although developed western insurance markets account for a significant proportion of Allianz's revenue, no single market is critical to its success. Excellent diversification enables the group to withstand challenges as they occur and reduces the likelihood that a disturbance in any particular market will impact its overall financial performance. In 2019, the group's largest markets by revenue were Germany (31%), Western and Southern Europe (35%), USA, 9% and Specialty lines (including AGCS, Euler Hermes and Allianz Partners) (14%). No other single country accounted for more than 5%. Within the majority of developed insurance markets, the group offers a wide range of products, with business often split between life and non-life insurance operations. The United States (US) is a notable exception of this, where the group has a robust position in the life savings sector but is virtually absent from P/C personal lines market. In addition to its insurance operations, Allianz benefits from a strong global asset management platform, which accounted for 5% of its total revenue and 23% of its operating profit in 2019.

One competitive advantage of Allianz lies in its ability to adjust to local markets through high quality local management and internal knowledge sharing. Furthermore, the group has centralised its global product lines and corporate business within AGCS, its global affinity business within Allianz Partners and its global risk accumulation management and reinsurance business within Allianz Re. Centralising major business functions allows the group to concentrate its expertise and improve efficiencies.

Allianz maintains a leading competitive position in numerous insurance markets around the world and its brand is recognised globally. This is often an advantage for the group's new ventures. The Allianz brand is used for the majority of the group's business, with exception of Euler Hermes (a global credit insurer) and PIMCO (a leading asset manager).

AM Best views Allianz's management quality positively. The competence of management has been demonstrated through a track record of consistent and strong performance, in line with set targets. The group's CEO has been Oliver Bäte since 2014, an existing member of the senior management team who has been with the group since 2009.

During 2019, Allianz entered into two UK transactions: the purchase of L&G's general insurance business and the purchase of the 51% of LV's general insurance business not already owned. These deals have made Allianz the second largest player in the UK general insurance market by gross written premiums (expected to be around GBP 4 billion, representing around a 9% market share), resulting in a significant boost to Allianz's business profile. As a result, the group has a major competitive position in the largest European market where it did not previously have a presence.

2019 represented the first year of Allianz's 2019-2021 plan, Renewal Agenda 2.0 with targets including: return on equity above 13% (as calculated by Allianz), 5% growth in earnings per share, capital strength above 180% measured by SCR ratio, net promoter score (measuring customer centricity) above 75%, and IMIX above 73%, measuring employee commitment. AM Best notes, however that guidance on targets has been temporarily withdrawn as a result of economic uncertainty during 2020.

Allianz reports three main business segments: Property/Casualty (P/C), Life/Health (L/H) and Asset Management. In 2019, the group's total revenue was split between these segments as follows: P/C 41%, L/H 53%, and Asset Management 5%.

- - Property/Casualty - -

Business Profile (Continued...)

Allianz's P/C division reported gross written premiums (GWP) of EUR 57.2 billion in 2018, an increase of 6.7% from the prior year. Growth was driven by revenues in AGCS, Allianz Partners and Germany. The growth in Germany was due to pricing improvements in motor and property. Within AGCS, 9.8% improvements in pricing, particularly for property, financial lines, middle-sized corporates and aviation drove revenue growth. Within Allianz Partners, US travel was the key driver.

Allianz has developed a strong competitive position in many primary P/C insurance markets across Europe, Asia and numerous emerging markets. The combination of excellent diversification and strong competitive positioning allows Allianz to better absorb the impact of insurance cycles in individual insurance markets. Allianz operates as a domestic insurer in all of its major markets, with experienced local management teams.

Allianz's global P/C insurance business is predominantly managed via subsidiaries AGCS, Allianz Partners and Euler Hermes. AGCS is responsible for the group's corporate business and all global insurance lines (such as aviation, energy and marine risks). Although nearly half of AGCS's premium revenue emanates from North America, it has a well-diversified book of business. The business unit has a strong competitive position globally. However, it has been affected by a deterioration in market conditions due to an influx of capacity.

Allianz Partners (previously Allianz Worldwide Partners) consolidates the group's global assistance (for example motor and travel assistance products) and international medical insurance business. Historically, this business has experienced strong profitable growth and Allianz Partners is considered important to the group's strategic vision, due in part to its role in providing complimentary services to Allianz customers to improve overall customer satisfaction.

Euler Hermes offers trade credit insurance on a global basis and is a market leader in its niche.

Growth of Allianz's P/C business is expected to be driven by development of the group's competitive position in mature markets and by expansion in growth markets. Considering the wide scope of Allianz's P/C operations, challenges in individual markets are unlikely to negatively impact the prospects of the overall group.

-- Life / Health --

Allianz's L/H division registered statutory gross written premiums (SGWP) of EUR 76.4 billion and gross written premiums (GWP) reported under International Financial Reporting Standards (IFRS) of EUR 25.8 billion in 2019. SGWP includes all premium revenue of life operations whereas IFRS figures do not include revenue from capital-light savings products which carry little or no insurance risk. IFRS and statutory figures grew by approximately 8.5% and 6.2%, respectively, compared to the prior year.

The group's life operations have a good level of geographical diversification in spite of some concentration in Europe (around 73% of statutory premium revenue). Germany is the group's most significant L/H market, accounting for 41% of total life division revenue. In Germany, the group has an excellent competitive position and benefits from diversification between life (89% of German life revenue) and health insurance (11%). Allianz's other major life insurance markets include Italy (14% of statutory premium revenue), the United States (16%), and France (11%). The group maintains a strong competitive position in each of these markets.

Allianz has focused on reducing its exposure to capital-intensive life insurance products across its portfolio for several years. As a result, in 2019, 48% of present value of new business was attributable to capital-light products, representing growth of 24%. Although there remain significant challenges to overcome, AM Best believes that Allianz is positioning itself well to manage a prolonged period of low interest rates and market volatility.

-- Asset Management --

Allianz is one of the largest fund managers in the world, with assets under management (AuM) of EUR 2.3 trillion as at 2019 year end. Of the total AuM, a little over one quarter related to assets of the Allianz group, with the remainder being third party assets.

Allianz operates on a global basis with investment and distribution capacities in all major markets. Pacific Investment Management Company LLC (PIMCO) is the group's largest fund manager, accounting for approximately 79% of its third party AuM. The total level of AuM remains stable but is vulnerable to fluctuations relating to foreign exchange and market movements. In 2019, revenues improved 6.4% to EUR 7.1 billion. The majority of revenues (EUR 6.7 billion) relate to AuM rather than performance fees, and are therefore more stable over time. Both PIMCO and AGI saw revenue growth: of 8.8% and 1.3% respectively.

Enterprise Risk Management

Allianz has a sophisticated enterprise risk management (ERM) framework that is embedded throughout the organisation. The group's relatively high risk profile is matched by superior risk management tools and capabilities. The risk culture is well-developed and entrenched throughout the organisation. All of the group's operating entities have self-sufficient and appropriate ERM functions, and there is an additional layer of oversight from the group.

The group has well-defined quantitative and qualitative risk appetite statements, covering its solvency and material risk exposures. The risk appetite forms an integral part of the business planning process, which is usually done for three years, translated into financial and non-financial targets, Solvency II ratios and risk limits.

At the core of Allianz's ERM is the internal capital model, which is fully integrated in the group's business strategy and used for key decisions, such as dividend policy, risk and business strategy and asset allocation. The group has a well-defined capital management policy, with associated management actions. A comprehensive stress testing framework substantiates the business strategy, supporting a forward-looking risk assessment approach.

Reinsurance Summary

Allianz has a prudent reinsurance programme in place aimed at controlling its exposure to large and catastrophe losses. Allianz Re, a business unit within Allianz SE, coordinates the reinsurance needs of all subsidiaries across the group and acts as a reinsurer for most subsidiaries. For all P/C treaties (excluding those for natural catastrophe events), operating entities retain premiums in accordance with group guidelines. Ceded business is centralised at the group level and allocated to external reinsurance treaties. The group also maintains a centralised programme for natural catastrophe losses that pools exposures from a number of subsidiaries via internal reinsurance agreements. Allianz uses the external reinsurance market for peak risks in excess of the group's risk appetite. In addition to traditional reinsurance, alternative risk transfer vehicles are used.

Financial Statements

	12/31/2019		12/31/2019
	EUR (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	15,334,000	1.5	17,174,080
Bonds	534,397,000	52.8	598,524,640
Equity Securities	67,672,000	6.7	75,792,640
Other Invested Assets	272,225,000	26.9	304,892,000
Total Cash and Invested Assets	889,628,000	88.0	996,383,360
Reinsurers' Share of Reserves	17,545,000	1.7	19,650,400
Debtors / Amounts Receivable	20,728,000	2.0	23,215,360
Other Assets	83,284,000	8.2	93,278,080
Total Assets	1,011,185,000	100.0	1,132,527,200
Unearned Premiums	19,996,000	2.0	22,395,520
Non-Life - Outstanding Claims	65,414,000	6.5	73,263,680
Life - Outstanding Claims	12,127,000	1.2	13,582,240
Life - Long Term Business	592,811,000	58.6	663,948,320
Life - Linked Liabilities	132,168,000	13.1	148,028,160
Other Technical Reserves	685,000	0.1	767,200
Total Gross Technical Reserves	823,201,000	81.4	921,985,120
Debt / Borrowings	93,000	...	104,160
Other Liabilities	110,527,000	10.9	123,790,240
Total Liabilities	933,821,000	92.3	1,045,879,520
Capital Stock	1,170,000	0.1	1,310,400
Retained Earnings	29,577,000	2.9	33,126,240
Other Capital and Surplus	43,254,000	4.3	48,444,480
Non-Controlling Interests	3,363,000	0.3	3,766,560
Total Capital and Surplus	77,364,000	7.7	86,647,680
Total Liabilities and Surplus	1,011,185,000	100.0	1,132,527,200

Source: BestLink® - Best's Financial Suite
 US \$ per Local Currency Unit 1.12 = 1 Euro (EUR)



Income Statement	Non-Life	Life	Other	12/31/2019	12/31/2019
	EUR (000)	EUR (000)	EUR (000)	Total EUR (000)	Total USD (000)
Gross Premiums Written	57,210,000	25,820,000	...	82,919,000	92,869,280
Net Premiums Earned	51,328,000	24,586,000	...	75,914,000	85,023,680
Net Investment Income	...	15,228,000	2,818,000	18,046,000	20,211,520
Realized capital gains / (losses)	...	5,997,000	1,077,000	7,200,000	8,064,000
Unrealized capital gains / (losses)	...	-1,201,000	-387,000	-1,719,000	-1,925,280
Other Income	1,946,000	1,635,000	...	3,581,000	4,010,720
Total Revenue	53,274,000	46,245,000	3,508,000	103,598,000	116,029,760
Benefits and Claims	34,900,000	34,246,000	...	69,578,000	77,927,360
Net Operating and Other Expense	16,472,000	7,244,000	-391,000	22,942,000	25,695,040
Total Benefits, Claims and Expenses	51,372,000	41,490,000	-391,000	92,520,000	103,622,400
Pre-Tax Income	1,902,000	4,755,000	3,899,000	11,078,000	12,407,360
Income Taxes Incurred	...	...	...	2,776,000	3,109,120
Net Income before Non-Controlling Interests	...	...	...	8,302,000	9,298,240
Non-Controlling Interests	...	...	...	387,000	433,440
Net Income/(loss)	...	...	...	7,915,000	8,864,800

Source: BestLink® - Best's Financial Suite
US \$ per Local Currency Unit 1.12 = 1 Euro (EUR)

Related Methodology and Criteria

- [A.M. Best's Ratings On a National Scale, 10/13/2017](#)
- [Best's Credit Rating Methodology, 03/05/2020](#)
- [Catastrophe Analysis in A.M. Best Ratings, 10/13/2017](#)
- [Available Capital & Holding Company Analysis, 10/13/2017](#)
- [Evaluating Country Risk, 10/13/2017](#)
- [Scoring and Assessing Innovation, 03/05/2020](#)
- [Understanding Universal BCAR, 06/11/2020](#)

Additional Rating Types

National Scale Rating for [Allianz México SA Cia de Seg \(AMB#086517\)](#) is aaa.MX

AM Best assigns Best's Issue Credit Ratings. Refer to the profile page to view current Issue Ratings for [Allianz SE \(AMB#085449\)](#)



A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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