

Best's Credit Rating Effective Date

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Information

[Best's Credit Rating Methodology](#)

[Guide to 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	Appropriate

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

AMB #	Rating Unit Members
085309	Allianz S.p.A.
085449	Allianz SE
002618	Allianz Underwriters Ins Co
002176	American Automobile Ins Co
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).
- The group's regulatory solvency coverage ratio stood at 201% at year-end 2022.
- Allianz benefits from a sophisticated and conservative capital management approach.
- 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 (2017-2021) weighted average return on equity of 10.1% (as calculated by AM Best). The group reported a preliminary return on equity of 10.3% (as calculated by Allianz) for 2022.
- Highly diversified earnings profile by line of business and geography underpinning relatively stable and robust income. Results are enhanced by solid risk-free asset management fee and investment income. The property/casualty as well as the life/health segments reported strong performances at year-end 2022.
- The property/casualty segment achieved a strong mid-nineties combined ratio at year-end 2022. The strong result was supported by an improvement in the underwriting profitability of the commercial business segment as well as a strong run-off ratio.
- The life/health segment benefits from an improved new business margin. The segment produced a solid result despite a volatile market environment at year-end 2022, underpinned by a stronger technical margin and relatively robust investment margin.
- Allianz's asset management segment reported a decline in operating profit, as assets-under-management-driven revenues and performance fees reduced.

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.
- In 2022, the group reported a total revenue increase of 2.8%, supported by strong non-life premium growth of 12.4% due to strong rate and volume effects, offsetting lower statutory life and health premiums as well as lower AUM-driven revenues from the asset management business.
- 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 innovation and digitalisation.

Enterprise Risk Management: **Appropriate**

- Developed enterprise risk management (ERM) framework that is largely embedded throughout the organisation.
- Risk strategy and clearly articulated risk 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 and an elevated organisational complexity, which is matched by its strong risk management tools and capabilities.
- The group's risk controls and governance practices have been strengthened, following identified shortcomings related to the US asset management function, after the resolution of the Structured Alpha matter.

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 group is expected to remain one of the leaders in the global insurance market and continue to demonstrate stable and strong operating performance, supported by superior diversification by line of business and geography as well as continued technical discipline.

Rating Drivers

- Negative rating pressure could follow a weakening in risk-adjusted capitalisation.
- 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	58.8	46.4	41.3	40.2

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Net Premiums Written:					
Life	25,548,000	25,017,000	24,625,000	25,218,000	23,730,000
Non-Life	60,564,000	53,479,000	51,609,000	52,154,000	48,953,000
Composite	86,112,000	78,496,000	76,234,000	77,372,000	72,683,000
Net Income	7,182,000	7,105,000	7,133,000	8,302,000	7,703,000
Total Assets	1,021,503,000	1,139,429,000	1,060,012,000	1,011,185,000	897,567,000
Total Capital and Surplus	55,242,000	84,222,000	84,595,000	77,364,000	63,680,000

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)	Weighted 5-Year Average
Profitability:						
Balance on Life Technical Account	5,347,000	4,794,000	4,388,000	4,755,000	4,219,000	...
Balance on Non-Life Technical Account	3,086,000	2,835,000	1,617,000	1,902,000	2,770,000	...
Net Income Return on Revenue (%)	7.0	6.6	6.9	8.1	8.2	7.3
Net Income Return on Capital and Surplus (%)	10.3	8.4	8.8	11.8	11.6	10.1
Non-Life Combined Ratio (%)	94.3	93.9	96.3	95.5	94.0	94.8
Net Investment Yield (%)	1.0	1.9	2.1	2.2	2.1	1.9
Leverage:						
Net Premiums Written to Capital and Surplus (%)	167.3	98.2	94.3	104.6	118.7	...

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. Additionally, the group's balance sheet benefits from good liquidity management and prudent reserving practices. 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 sophisticated reinsurance for tail risk reduction. An offsetting factor is

Balance Sheet Strength (Continued...)

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.

Capitalisation

The BCAR scores presented under the "Best's Capital Adequacy Ratio Summary" section of this report are based on Allianz's year-end 2021 consolidated audited financial statements.

In 2022, Allianz reported a decline in its capital and surplus of about 35% relating to the impact of unrealised losses on its assets. However, Allianz's risk-adjusted capitalisation (RAC) is expected to remain at the strongest level, as measured by BCAR, supported by strong earnings generation and prudent capital management.

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.

Partial credit is given in adjusted capital and surplus in BCAR for discretionary profit-sharing reserves and subordinated debt issues.

The group has aimed to achieve higher capital efficiency and transform its capital productivity and resilience by repositioning its life product portfolio towards a capital-light model. This has mainly been achieved by strong duration management and a proactive new business management (improving the life book business mix). The capital light model of new business focuses on allocating capital towards the protection and health business as well as unit-linked business growth. Additionally, Allianz has improved its capital efficiency through in-force management of back book transactions. Consequently, Allianz's exposure to interest rate risk has reduced materially.

Allianz's dividend policy aims to maintain a pay-out 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 between 2018 and 2022. The board had approved a share buy-back amount of EUR 1 billion for 2022.

Allianz has a track record of very robust internal capital generation during recent years, enabling it to achieve steady growth in dividends (per share), as well as financing organic and inorganic growth.

Financial flexibility is considered excellent due to Allianz's track record of successfully accessing capital markets, together with its moderate debt leverage and good interest coverage ratios. At half year 2022, Allianz held EUR 7.9 billion of senior debt and EUR 17.1 billion of subordinated debt on its balance sheet, which includes restricted Tier1 issues.

The group manages financial leverage with consideration of rating agency constraints and with the indication that the adjusted debt leverage ratio would only go above 30% if the group needs it for strategic growth opportunities. The moderate increase in leverage ratio in 2022 reflects the decline in the group's shareholder equity (due to unrealised gains).

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 of 185% or higher. According to its guidelines, a fall in the SCR ratio below 150% would trigger an adjustment to group's dividend policy, and a fall below 145% would lead to capital actions. As at year-end 2022, Allianz's SII ratio stood at 201% (year-end 2021: 209%). The group regards financial risk as its largest risk and aims therefore to actively manage its Solvency II SCR ratio volatility. Allianz has undertaken various de-risking measures in 2022, including a reduction in equity exposure.

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.

Balance Sheet Strength (Continued...)

Capital Generation Analysis	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Beginning Capital and Surplus	84,222,000	84,594,000	77,364,000	63,679,000	68,602,000
Net Income	7,182,000	7,105,000	7,133,000	8,302,000	7,703,000
Net Unrealized Capital Gains (Losses)	-32,622,000	-5,785,000	4,815,000	11,311,000	-5,518,000
Currency Exchange Gains (Losses)	878,000	1,156,000	-2,259,000	441,000	146,000
Change in Equalisation and Other Reserves	-157,000	2,412,000	2,284,000	29,000	32,000
Stockholder Dividends	-4,860,000	-4,270,000	-4,146,000	-4,062,000	-3,673,000
Other Changes in Capital and Surplus	599,000	-990,000	-597,000	-2,336,000	-3,613,000
Net Change in Capital and Surplus	-28,980,000	-372,000	7,230,000	13,685,000	-4,923,000
Ending Capital and Surplus	55,242,000	84,222,000	84,594,000	77,364,000	63,679,000
Net Change in Capital and Surplus (%)	-34.4	-0.4	9.3	21.5	-7.2

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2022	2021	2020	2019	2018
Liquid Assets to Total Liabilities	69.1	76.9	80.3	80.3	78.6
Total Investments to Total Liabilities	86.0	92.2	96.2	95.3	94.2

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

Allianz is considered to have very strong ALM capabilities. The group's fixed income investment strategy is driven by the liability structure, using cash-flow matching, and is based on risk capital allocation.

Interest rate risk has been a prominent risk due to the group's exposure to a back-book that was dominated by guaranteed products. However, the recent positive interest rate developments have reduced the risk somewhat. The group's interest rate strategy remains nevertheless unchanged to ensure long-term resilience.

The group has been able to cover consistently its guaranteed commitments on its life book and was able to retain a positive spread between the average guaranteed rate and its current investment yield.

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 (90% at year-end 2022) of which are investment-grade. Allianz has significant exposure within its portfolio to alternative assets with alternative equity (including real estate) totaling 14% and alternative debt totaling 18% of the allocation at year-end 2022. The private debt allocation mostly included mortgages, infrastructure debt and private placements. Allianz has gradually increased its allocation to alternative assets over the past years in order to address the low interest rate environment. Going forward it is expected that this level will remain fairly stable.

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 excellent and active asset-liability management minimises its liquidity risks.

Balance Sheet Strength (Continued...)

Composition of Cash and Invested Assets	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Total Cash and Invested Assets	830,669,000	973,014,000	937,912,000	889,628,000	785,426,000
Cash (%)	2.0	1.8	1.7	1.7	1.5
Bonds (%)	53.3	56.9	60.7	60.1	60.4
Equity Securities (%)	8.0	8.5	6.5	7.6	6.8
Real Estate, Mortgages and Loans (%)	16.5	13.8	13.3	13.5	14.7
Other Invested Assets (%)	18.0	17.4	16.3	15.6	15.0
Total Cash and Unaffiliated Invested Assets (%)	97.9	98.4	98.4	98.5	98.5
Investments in Affiliates (%)	2.1	1.6	1.6	1.5	1.5
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 group's accident years have developed positively, demonstrated by an average run-off ratio of 3.4% over the past 10 years (2013-2022). In 2022, the group reported reserve releases of 4.3%, supported by high Covid-19 related reserve releases from Allianz Trade and Allianz Re (excluding these entities, the run-off ratio was about 2%).

It is expected that Allianz will be able to report reserve releases around its long-term average ratio over the cycle. The group has been able to enforce robust rate increases (4.3% rate change on renewals) to address claims inflation pressures, increasing loss pick and generally benefiting from its dominant market position and diversified book of business.

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 (2018-2022) weighted average return on equity (RoE) of 10.1%, as measured by AM Best.

The group's good diversification of earnings and consistent strong operating results remain the main contributor to the group's stable profitability. A record operating profit was reported in 2022, despite a difficult global operating environment. The group's net results also remained robust, but was impacted by a few one-off expenses, including the write-off of some of the value of its Russian business (deconsolidation) as well as the payment of the settlement fine and cost of structural adjustments with regards to the Structure Alpha fund/AGI matter.

Earning levels have consistently remained strong and compare well to its peers, supported by robust earnings in its property and casualty segment as well as its life and health segment. 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 operating performance going forward. Over the longer-term, diversified and uncorrelated revenue streams are expected to support the maintenance of strong and relatively stable earnings.

In 2022, Allianz's net profit was up by 1.1% to EUR 7.18 billion in 2022, which translated to a return on equity of around 10.3% in 2022 (8.4% in 2021), as calculated by AM Best.

-- Property / Casualty --

Operating profit for the segment increased by 8.4 percent to EUR 6.2 billion in 2022 (EUR 5.7 billion in 2021). The underwriting result was supported by robust pricing adjustments and organic volume growth as well as significantly higher operating investment results.

Allianz reported a combined ratio of 94.2% in 2022 compared to 93.8% in the prior year. The marginal weakening was primarily due to the impact of higher attritional losses related to normalization of claims frequency as well as higher claims inflation. This was partially offset by a favourable run-off result and a marginally lower Nat-Cat impact.

Operating Performance (Continued...)

All Core markets showed relative stable results, supported by robust rate increases in almost all segments that partly absorbed pressure from claims inflation. The combined retail segments showed a moderate decline in underwriting results largely driven by motor, reflected by a combined ratio of 96.1% in 2022 compared to 93.1% in 2021. This decline was compensated by stronger results in the combined commercial and global lines, which reported an improved combined ratio of 90.0% in 2022 compared to 94.7% in 2021. This was underpinned by stronger rate increases in the commercial and global lines compared to the retail segment.

The contribution from run-off reserves increased in 2022 to long term historical highs, with a positive run-off ratio of 4.3% compared to 2.6% in the prior year, largely resulting from releases at Allianz Trade and Allianz Re. The group's 10-year average (2013-2022) run-off ratio is 3.4%.

The group's expense ratio has been modestly down-trending over the past 10-years in line with its strategy target. In 2022, the expense ratio remained stable (26.8%) compared to the prior year (2021: 26.7%), supported by productivity initiatives across numerous operating entities and strong growth.

-- Life / Health --

Operating profit in the life & health segment increased by 5.4% to EUR 5.3 billion in 2022 (EUR 5.0 billion in 2021), mainly driven due to the positive contribution from the acquired Aviva operations in Poland, business growth in Asia and a modestly positive operating profit development of the largest segment (Germany life). This was partly offset by lower results in the United States. The operating profit showed a robust increase in protection and health with all other segments contributing stable results.

Present value of new business premiums (PVNBP) decreased 16.6% from EUR 78.6 billion to EUR 65.6 billion in 2022, due to the absence of two large contracts in corporate business that were written in 2021. In addition, negative discounting impact from higher interest rates (mostly German business) had a negative impact on PVNBP. Moreover, lower unit-linked sales in Italy and a decline in single premium business in Germany contributed to the decline in PVNBP. Successful integration of Aviva Poland that contributed PVNBP of EUR 0.4 billion.

The value of new business (VNB) was stable at EUR 2.5 billion in 2022 (EUR 2.5 billion in 2021), as the positive effect of a better business mix was offset by lower volumes.

The new business margin (NBM) improved to 3.8% in 2022 (3.2% in 2021) due to a better business mix and higher interest rates. The group continued its shift to preferred lines of business, with capital efficient products showing the largest gain in NBM to 3.9% in 2022 from 3.2%. This line of business also presents the largest share of PVNBP (50% in 2022 from 44% in the prior year). All segments reported an improvement in NBM, with the shift to Allianz's preferred lines showing tangible results.

-- Asset Management --

The 2022 operating profit for Allianz's Asset Management (AM) division declined to EUR 3.2 billion (2021: EUR 3.5 billion), due to lower income from assets under management (AuM) revenues and lower performance fees. Assets under management (AuM) declined by 17.9% to EUR 2.14 trillion at year-end 2022. However, the group continued its cautious approach to cost management and reported a cost-income ratio of 61% in 2022 compared to 58.4% in the prior year.

-- 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 (real estate, infrastructure and renewable energy). However, it is expected that those levels will remain relatively stable going forward.

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 riskier 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) declined to 1.1% in 2022 from 1.9% in 2021, reflecting high market volatility and higher impairments. Although, unrealised capital losses weigh on the group's overall investment return, a surge in income from debt

Operating Performance (Continued...)

due to higher yields as well as inflation-linked bonds has absorbed some of the financial market volatility. Going forward, higher economic reinvestment yields are expected to strengthen investment income.

Financial Performance Summary	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Pre-Tax Income	9,649,000	9,520,000	9,604,000	11,078,000	10,399,000
Net Income after Non-Controlling Interests	6,738,000	6,610,000	6,807,000	7,915,000	7,462,000

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2022	2021	2020	2019	2018
Overall Performance:					
Return on Assets	0.8	0.7	0.8	1.0	1.0
Return on Capital and Surplus	10.3	8.4	8.8	11.8	11.6
Non-Life Performance:					
Loss and LAE Ratio	67.5	67.0	69.5	68.0	66.0
Expense Ratio	26.8	26.9	26.8	27.5	28.0
Non-Life Combined Ratio	94.3	93.9	96.3	95.5	94.0

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 94.2 billion and total revenues of EUR 152.6 billion against shareholders' equity of EUR 55.8 billion in 2022. Despite increasing competition and a challenging macroeconomic environment in recent years, the group has maintained its leadership, scale and relevance, recording a GWP CAGR of 4% over the period 2018-2022 and 9.4% in 2022.

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 2022, the group's largest markets by revenue were Western and Southern Europe (27%), Germany (25%), Specialty lines (including AGCS, Euler Hermes and Allianz Partners and Allianz Re) (18%) and USA (13%). 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 22% of its operating profit in 2022.

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.

Furthermore, the group aims to enhance its diversified business model by focusing on digitalisation efforts and simplifying its business model, in order to achieve cost and process efficiencies, improving customer satisfaction and to support growth. This includes also its digital distribution models as well as its direct insurance brands Allianz Direct that was established in most of its European markets. Allianz has also accelerated its transformation strategy of 'simplicity', which includes process, platform and product simplification. The ambition is that a harmonisation and simplification of business processes would mitigate its risk profile.

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 PIMCO (a leading asset manager).

Business Profile (Continued...)

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.

The group has supported its growth in the past through moderately sized acquisitions. In 2022, Allianz entered into two major M&A transactions that scaled up its existing business and strengthened its market present in those operating markets:

-- Allianz announced the conclusion of agreements to form a partnership with Sanlam Ltd., Cape Town, a non-banking financial service company in Africa, by contributing its African business operations and further capital contributions in consideration for a minority shareholding in the partnership. This increases its current market present in Africa notably.

-- Allianz entered into a strategic partnership with Voya Financial. The agreement comprised the transfer of certain investment teams of AGI U.S. and the assets they manage with a volume of USD 101 billion to Voya Investment Management LLC, Atlanta, in consideration for a 24% equity stake and a long-term global distribution agreement between the two firms.

-- In June 2022, Allianz sold 50% plus one share of its Russian business operations to Interholding LLC, Moscow, as a consequence of the Russian-Ukrainian conflict.

Allianz reports three main business segments: Property/Casualty (P/C), Life/Health (L/H) and Asset Management. In 2022, the group's total revenue was split between these segments as follows: P/C 46%, L/H 49%, and Asset Management 5%.

-- Property/Casualty --

Allianz's P/C division reported gross written premiums (GWP) of EUR 67.7 billion in 2022, an increase of 9.4% from the prior year. Growth driven by healthy pricing and good volumes, which were in particular recorded at Allianz Partners, Allianz Trade, AGCS and Germany. The group recorded good internal revenue growth mainly driven by price increases as well as in most segments by organic volume growth. The growth at Allianz Partners was derived from a strong pick up in U.S. travel business and a lift in top-line from its international health segment. Allianz Trade benefited from strong new business generation and high customer retention combined with a recovery of economic activity. AGCS recorded good internal growth in its property, financial lines, liability and entertainment lines of business. The growth in Germany continued to be supported by pricing improvements in motor, SMC and MidCorp business.

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 Allianz Trade. 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. Strong rate improvements seen globally continued to support the markets hard cycle.

Allianz 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. Allianz Trade 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 75.1 billion and gross written premiums (GWP) reported under International Financial Reporting Standards (IFRS) of EUR 26.6 billion in 2022. 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 figures improved by 2.6% whereas statutory figures declined by approximately 4.1% compared to the prior year, mainly reflecting the impact of lower single-premium business in Germany and lower unit-linked premium income from Italy.

Business Profile (Continued...)

The group's life operations have a good level of geographical diversification in spite of some concentration in Europe (around 70% of statutory premium revenue). Germany is the group's most significant L/H market, accounting for 40% of total life division revenue. In Germany, the group has an excellent competitive position and benefits from diversification between life (85% of German life revenue) and health insurance (15%). Allianz's other major life insurance markets include United States (20% of statutory premium revenue), Italy (15%), and France (10%). 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 2022, 50% and 22% of present value of new business was attributable to capital-light products and unit-linked (without guarantee) products respectively, compared to 44% and 23% respectively in the prior year. Although there remain challenges to overcome due to the share of guaranteed savings products in the back book, AM Best believes that Allianz is positioning itself well to benefit from increasing interest rates. The group also focused on releasing underperforming capital locked in life back-books. The aim is to dispose of selected legacy life back-books in order to reallocate capital to business with higher margins.

- - Asset Management - -

Allianz is one of the largest fund managers in the world, with assets under management (AuM) of EUR 2.1 trillion as at 2022 year. Of the total AuM, about 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 60% of its third-party AuM. The total level of AuM declined notably in 2022, largely reflecting market effects, but also due to net outflows and transfer of AllianzGI U.S. assets to Voya IM.

In 2022, revenues declined by 1.9% to EUR 8.2 billion. The majority of revenues (EUR 7.7 billion) relate to assets-under-management-driven revenues rather than performance fees, and are therefore more stable over time. Both PIMCO and Allianz Global Investors saw revenue decline: of 0.1% (driven by a decline in performance fee income) and 7.0% respectively (driven by a decline in AuM revenue).

Enterprise Risk Management

Allianz has a developed enterprise risk management (ERM) framework that benefits from risk management practices that are appropriate given the group's relatively high-risk profile. The group's risk management tools and capabilities are considered very strong and suitable in most areas. All of the group's operating entities have self-sufficient and appropriate ERM functions, which is underpinned by an additional layer of oversight from the group.

Whilst AM Best acknowledges the robustness of the group's enterprise risk management, and the diverse array of analytical tools utilised to manage its exposure, there have been shortcomings in governance and a lack of control process relating to the group's asset management unit AGI U.S. The group has strengthened its risk-management and oversight capabilities in its asset management unit following the resolution of the matter in May 2022, to align it to governance standards and the risk culture that is inherent in the group's insurance operations.

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 relatively low reinsurance dependence. The group's prudent reinsurance programme is aimed at controlling its exposure to large and catastrophe losses in order to protect the group's capital resources. 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

Enterprise Risk Management (Continued...)

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.

Environmental, Social & Governance

AM Best believes that Allianz, as a diversified global multiline insurer, has a well-considered and diligent process for managing its environmental, social and governance (ESG) related exposures with respect to its global operational and credit profile.

AM Best considers Allianz's exposure to environmental, social, and corporate governance (ESG) risks to be elevated but manageable. As a diversified global multi-line P/C and L/H insurer as well as asset manager, ESG is a meaningful consideration with respect to the global lines and commercial segments' operational and credit profile.

AM Best believes that the group carefully monitors its product segments and international markets in which it participates - both as an underwriter and investor - in order to actively manage its enterprise-wide exposure to a diverse array of ESG related exposures. Furthermore, management has continuously modified its underwriting and investment risk-appetite and guidelines to control its risk aggregations in recent years.

The group has formulated an ESG framework and developed statements and policies to identify and manage ESG risk in underwriting. The group has started to align its investment operations with ESG practices and evolving disclosure requirements.

As a property insurer, Allianz's underwriting operations are sensitive to environmentally global climate risk trends over time, most notably to natural weather-related catastrophes, with natural catastrophe events representing some of the largest loss events in recent years. In response to the emerging risks associated with climate risks, the group takes advantage of sophisticated risk modeling tools in order to identify and measure its exposure to ongoing increases in natural catastrophe event's frequency and severity. The group manages those risks by incorporating and articulating these results into its risk appetite. Comprehensive reinsurance cover is in place to reduce losses in line with its risk appetite.

Allianz has also integrated ESG-related criteria into its investment policy, which includes negative screening and reflects various sustainable and ethical investment criteria. The group aims to set industry standards and drive market innovation in order to remain on top of constantly developing climate-related policies as well as to meet public expectations of social responsibility. The group's strong integration of ESG-related criteria in its investment policy reduces the potential impact of adverse asset valuations that could result from ESG related triggers.

Allianz is also exposed to socially sensitive litigation trends and reputational risks relating to its liability business. Additionally, the group's product offerings include a large range of life insurance products, including annuities and savings products, which are exposed to factors such as demographic developments. The group aims to address those risks by having prudent reserving policies in place as well as comprehensive reinsurance protection.

Allianz's governance structure is considered appropriate, although governance related overview deficits in its asset management unit AGI U.S. exposed the group to increased operational risk, which lead to adverse financial and regulatory ramifications. AM Best believes that those shortcomings have largely been addressed.

Financial Statements

	12/31/2022		12/31/2022
	EUR (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	16,843,000	1.6	17,983,608
Bonds	442,832,000	43.4	472,820,583
Equity Securities	66,843,000	6.5	71,369,608
Other Invested Assets	304,151,000	29.8	324,748,106
Total Cash and Invested Assets	830,669,000	81.3	886,921,905
Reinsurers' Share of Reserves	59,509,000	5.8	63,538,949
Debtors / Amounts Receivable	24,235,000	2.4	25,876,194
Other Assets	107,090,000	10.5	114,342,135
Total Assets	1,021,503,000	100.0	1,090,679,183
Unearned Premiums	23,006,000	2.3	24,563,966
Non-Life - Outstanding Claims	76,989,000	7.5	82,202,695
Life - Outstanding Claims	14,278,000	1.4	15,244,906
Life - Long Term Business	576,460,000	56.4	615,497,871
Life - Linked Liabilities	141,024,000	13.8	150,574,145
Other Technical Reserves	732,000	0.1	781,571
Total Gross Technical Reserves	832,489,000	81.5	888,865,155
Debt / Borrowings	112,000	...	119,585
Other Liabilities	133,660,000	13.1	142,711,455
Total Liabilities	966,261,000	94.6	1,031,696,195
Capital Stock	1,170,000	0.1	1,249,232
Retained Earnings	35,350,000	3.5	37,743,902
Other Capital and Surplus	14,954,000	1.5	15,966,685
Non-Controlling Interests	3,768,000	0.4	4,023,169
Total Capital and Surplus	55,242,000	5.4	58,982,988
Total Liabilities and Surplus	1,021,503,000	100.0	1,090,679,183

Source: BestLink® - Best's Financial Suite
 US \$ per Local Currency Unit 1.06772 = 1 Euro (EUR)

	Non-Life	Life	Other	12/31/2022	12/31/2022
	EUR (000)	EUR (000)	EUR (000)	Total	Total
Income Statement	EUR (000)	EUR (000)	EUR (000)	EUR (000)	USD (000)
Gross Premiums Written	67,716,000	26,568,000	...	94,190,000	100,568,547
Net Premiums Earned	58,878,000	25,033,000	...	83,912,000	89,594,521
Net Investment Income	...	5,788,000	2,679,000	8,467,000	9,040,385
Realized capital gains / (losses)	...	5,698,000	-623,000	5,084,000	5,428,288
Other Income	2,302,000	1,960,000	...	4,262,000	4,550,623
Total Revenue	61,180,000	38,479,000	2,056,000	102,392,000	109,325,986
Benefits and Claims	39,731,000	25,825,000	...	65,900,000	70,362,748
Net Operating and Other Expense	18,363,000	7,307,000	1,486,000	26,843,000	28,660,808
Total Benefits, Claims and Expenses	58,094,000	33,132,000	1,486,000	92,743,000	99,023,556
Pre-Tax Income	3,086,000	5,347,000	570,000	9,649,000	10,302,430
Income Taxes Incurred	...	...	...	2,467,000	2,634,065
Net Income before Non-Controlling Interests	...	...	...	7,182,000	7,668,365
Non-Controlling Interests	...	...	...	444,000	474,068
Net Income/(loss)	...	...	...	6,738,000	7,194,297

Source: BestLink® - Best's Financial Suite
 US \$ per Local Currency Unit 1.06772 = 1 Euro (EUR)

Related Methodology and Criteria

- [A.M. Best's Ratings On a National Scale, 10/13/2017](#)
- [Best's Credit Rating Methodology, 11/13/2020](#)
- [Catastrophe Analysis in A.M. Best Ratings, 03/10/2023](#)
- [Available Capital & Holding Company Analysis, 10/13/2017](#)
- [Evaluating Country Risk, 10/13/2017](#)
- [Scoring and Assessing Innovation, 02/27/2023](#)
- [Understanding Global BCAR, 06/30/2022](#)

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 \(AMB#085449\)](#)

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