



Global Claims Review 2022

Trends and developments in corporate insurance losses





Content / topics

- | | | | |
|---|--|---|------------------------|
| 1 | AGCS at a glance &
AGCS Claims organization | 4 | Top risks in focus |
| 2 | Scope of the report | 5 | Claims issues to watch |
| 3 | Top causes of loss | 6 | Q&A |

Our expert AGCS Chief Claims Officer Thomas Sepp



Dr. Thomas Sepp

Chief Claims Officer and Board Member
Allianz Global Corporate & Specialty

Allianz Global Corporate & Specialty at a glance



A leading **global corporate insurance carrier** and a **key business unit of Allianz Group**.

We provide **risk consultancy**, **Property-Casualty insurance solutions** and **alternative risk transfer** for a wide spectrum of commercial, corporate and specialty risks across nine dedicated lines of business and **six regional hubs**.

More than **4,250** employees worldwide

of some **80** nationalities in more than **30** countries.

Diversified risk portfolio and capital efficiency offers long-term stability.

Managing some **2,400+** **lead programs** for international insurance solutions.

Market leading capacity – to handle the largest risks.

Our claims approach

Understanding Your Needs

At Allianz Global Corporate & Specialty (AGCS), our Claims philosophy is solution-oriented.

We're committed to finding preferred solutions with big picture thinking in respect of large and complex policies, building trusting relationships with you based on continuity of experience:

- We value an honest dialogue
- Transparency of communication
- Consistency, speed and ease of service delivery

Capabilities

600+ Claims handlers
 6 regional units
 16 Global Practice Groups providing top experts in specific claims categories

Settlement Experience

Our Claims settlement process is based on upfront and regular communication.

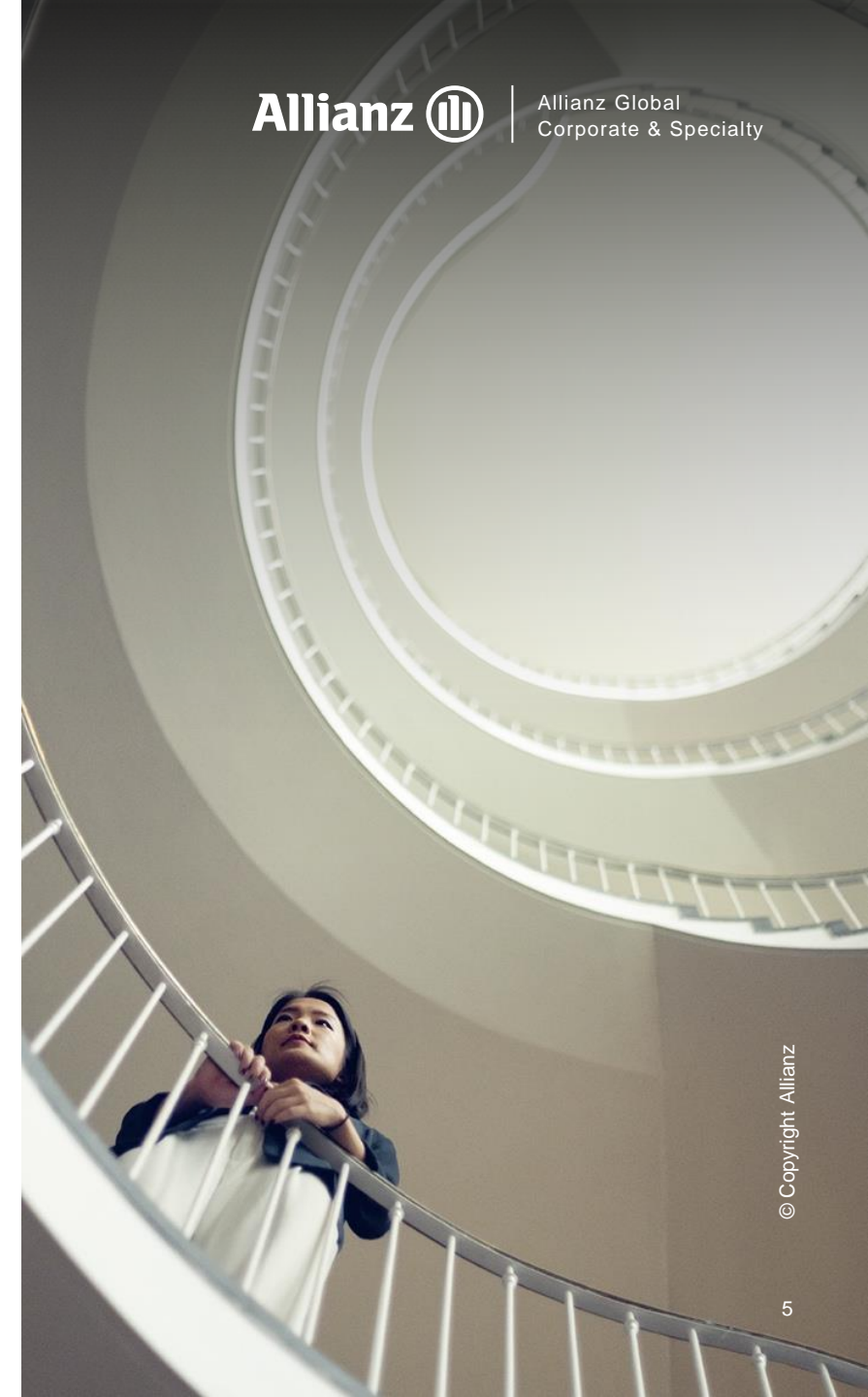
For specific customer requirements we offer Claims Protocols for a transparent experience

Attitude

Our Claims philosophy is solution-oriented and prioritizing a 'no surprises' culture.

Value-added Services for Key Clients

Claims Scenario Testing
 Regular stewardship and review meetings
 Claims insights and trend updates

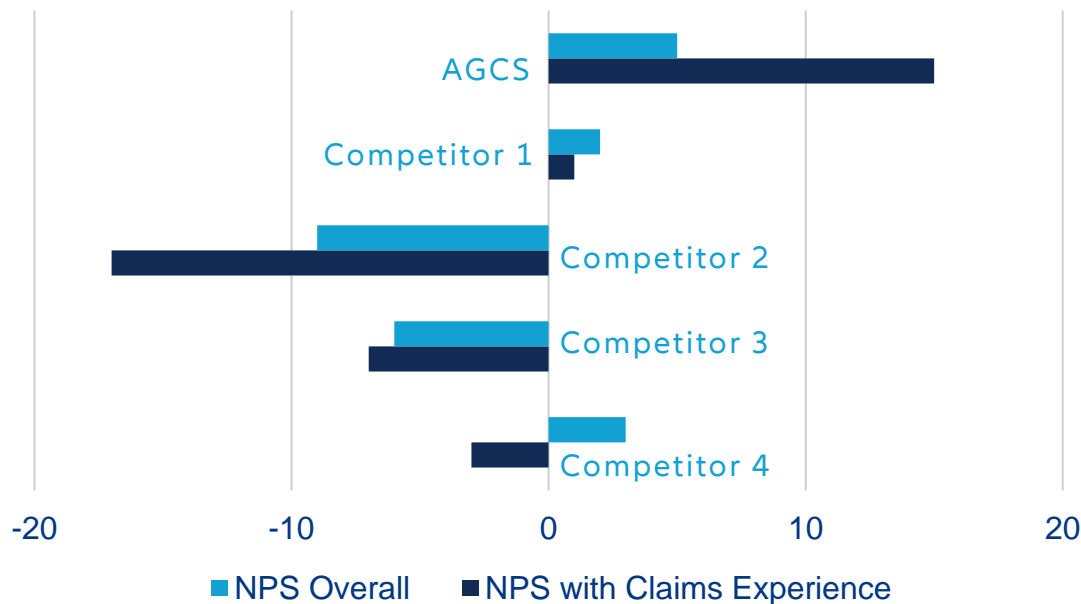


GLOBAL CLAIMS REVIEW 2022

Customer & Broker feedback

AGCS annual customer survey

Net Promoter Scores¹



Insurer	Overall Participants	Claims Experience Participants
AGCS	1,586	537
Competitor 1	887	305
Competitor 2	963	330
Competitor 3	860	316
Competitor 4	1,012	344

1) Net Promoter Score (NPS) = (% of promoters) – (% of detractors). It is based on a scale of -100 to +100

Claims to claims broker feedback from global broker²

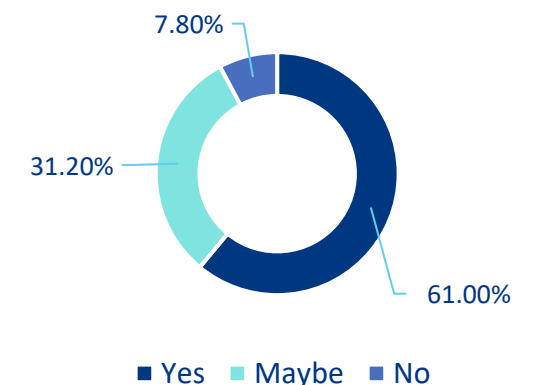
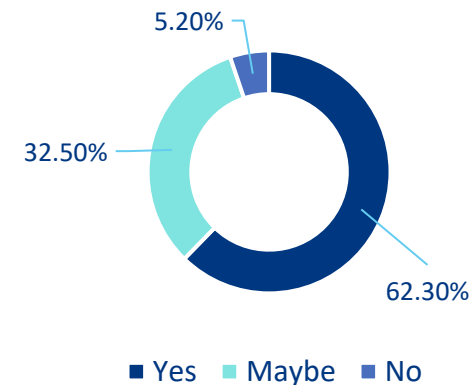
How do you score the AGCS claims team you work with? (Average)



I would recommend AGCS as your lead insurer because ...

... the claims organization gives you sound guidance and **reliable (no surprise) communication**

... if you have a claim, AGCS' **claims is not looking to find reasons to not pay**



2) Based on > 120 responses

Scope of the report

- This report focuses on global developments in corporate insurance claims over the period January 1, 2017, to December 31, 2021.
- Findings are based on the analysis of **534,456 corporate insurance claims** from 207 countries and territories
- Total value of claims is **€88.7bn** – almost **€48mn every day for five years to cover losses**.
- Claims figures quoted are 100% of the total loss and include shares of other insurers.
- Almost 75% of all financial losses arise from just 10 causes.

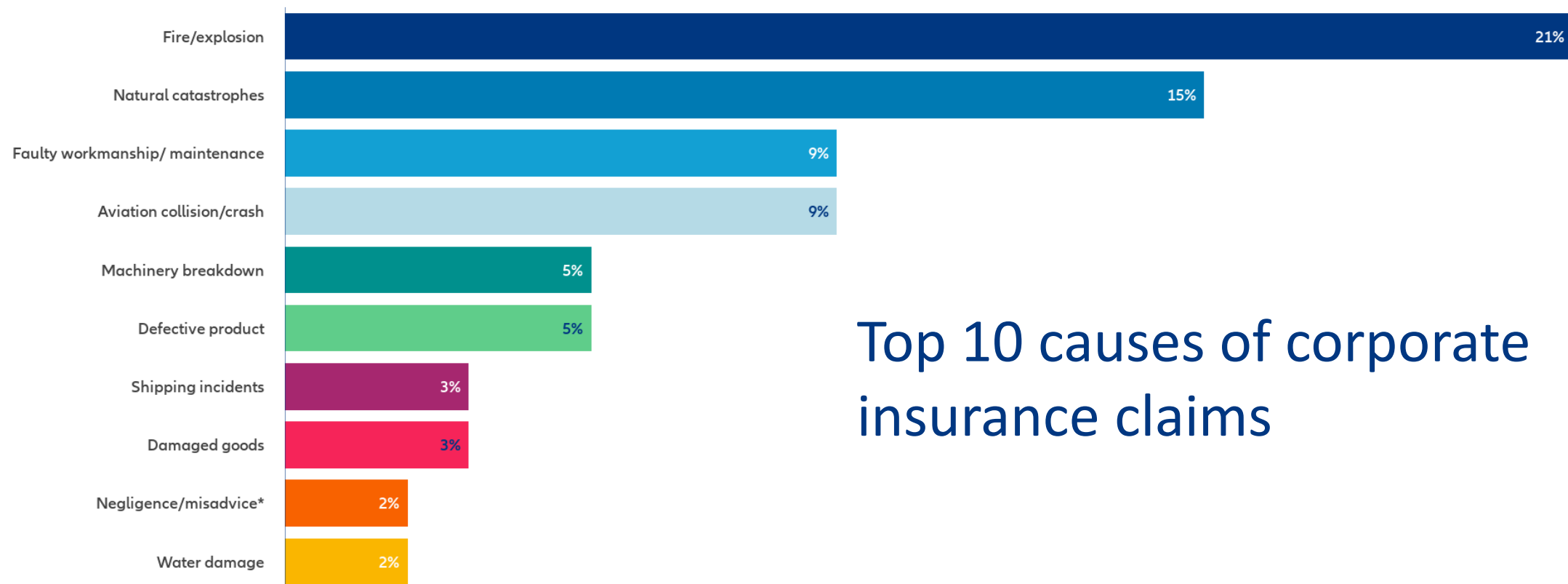


Top causes of loss

A lot has happened in the past five years....



...but sound risk management remains essential



Top 10 causes of corporate insurance claims

* professional indemnity claims

Source: Allianz Global Corporate & Specialty (AGCS). Based on analysis of 534,456 business insurance claims between January 1, 2017, and December 31, 2021, worth approximately €88.7bn in value. "Other" causes of loss account for 26% of the value of all claims. Claims total includes the share of other insurers in addition to AGCS.

Top causes of loss by total value (selected countries)



Top risks in focus

Fire and explosion is the top cause of losses

- Despite improvements in risk management and fire prevention, **fire/explosion** (exc. wildfire) is the top cause of corporate insurance losses globally, accounting for 21% of the value of all claims. Fires are responsible for 13 of the top 20 loss events analyzed (exc. natural hazard events).
- On **Fires** Insurance companies have paid out more than €18bn worth of insurance claims in five years.
- **Claims are becoming more severe** due to factors such as higher property and asset values, more complex supply chains, and the growth in concentrations of exposures. Soaring inflation will only challenge claims costs further.



Natural catastrophes - losses continue to rise

- Natural catastrophes (15%) ranks as the second top cause of loss globally. Collectively, the top five causes are hurricanes/tornados (29%); storm (19%); flood (14%); frost/ice/snow (9%); and earthquake/tsunami (6%).
- During 2021, the 'Texas Big Freeze' in the US and flooding in Germany stood out as events that were both large but had unexpected claims.
- Growing relevance of business interruption in property insurance. The average BI property insurance claim now totals €3.8mn+ compared with €3.1mn over the five-year analysis period ending in 2017.



Faulty workmanship/ maintenance incidents are the third top cause of loss

- Faulty workmanship/maintenance incidents are the third top cause of loss (9%). Costly incidents include the collapse of building/structure/subsidence from faulty work, faulty manufacturing of products/components; or incorrect design.
- Losses involving **damaged goods**, which can result from storage, handling, loading/unloading issues, or when in transit, are the most frequent driver of claims, accounting for 11% by number.



Claims issues to watch

Current loss scenarios and risk trends

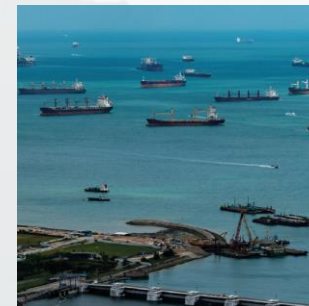
ESG



Inflation



Supply chains



Cyber



Ukraine

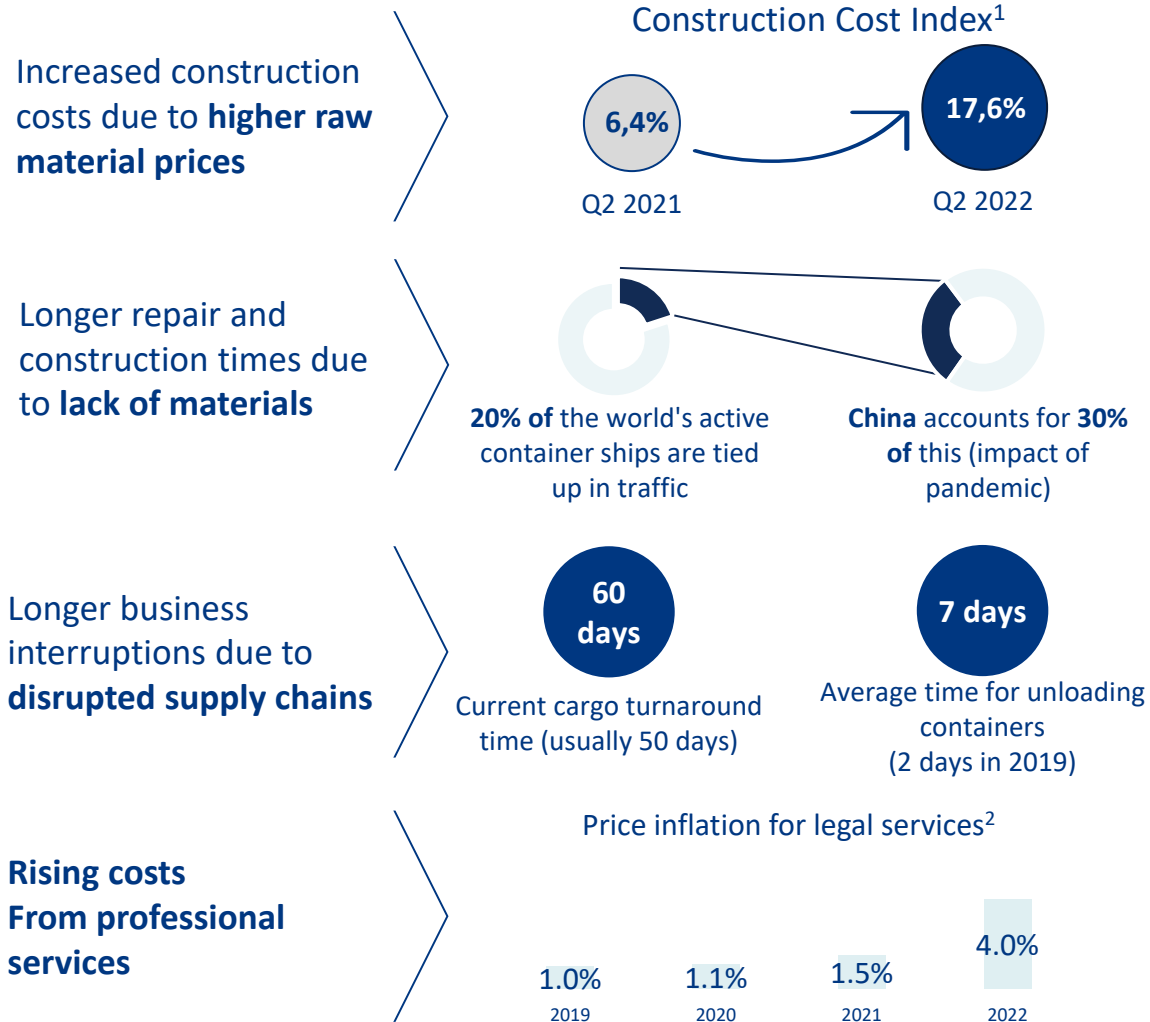


Legal costs



Inflation drives loss amount

1. Inflationary trends affecting the average loss amount:



2. Undervaluation of insured assets

In the insurance market, the first examples are known that confirm an undervaluation:



Companies need to adjust the valuation of their assets for insurance contracts.

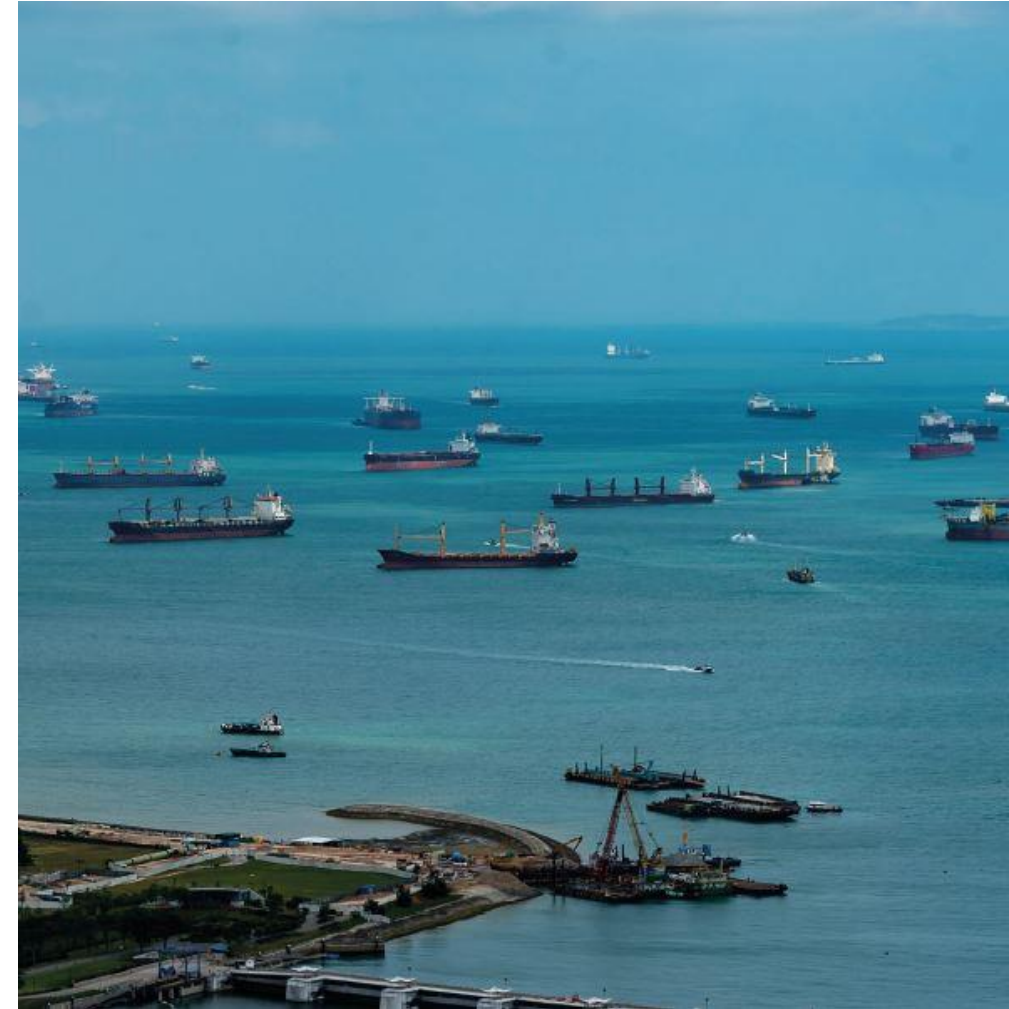
Insurance industry discusses (re)introduction of special clauses against undervaluation.

1) Source: [destatis.de](https://www.destatis.de) Construction prices for residential buildings in Germany

2) Figures are indicative for the U.S. market, based on the U.S. Bureau of Labor Statistics

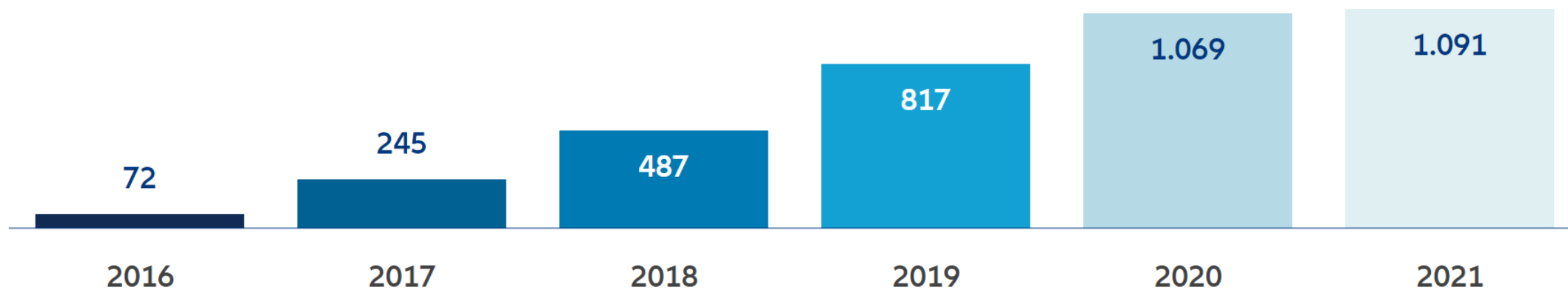
CBI claims spike with global supply chain disruption

- The number of contingent business interruption (CBI) claims has increased year-on-year for the past five years, exemplifying the growing interdependence and complexity of corporate supply chains.
- The automotive industry alone has seen several CBI events during this period, with the overall growth in CBI claims exacerbated in the last two years by a large loss in the semiconductor manufacturing sector and the 'Texas Big Freeze' event.
- The claims from these two events more than tripled the number of CBI claims in the previous three years.
- Loss events can have a substantial impact, sometimes in excess of \$1bn or more. Many companies are still reliant on a small number of key suppliers and are having to rethink their supply chains.



Cyber loss events at a persistently high level

Development of cyber insurance claims 2016 to 2021



Ukraine invasion impact

- Outside of the human tragedy, Russia's invasion of Ukraine is likely to result in a significant, yet manageable, loss for the global insurance industry.
- Still significant uncertainty around how some claims might develop going forward but insurers' exposure to the conflict is limited by war exclusions, which are standard.
- Specialist markets like aviation insurance could yet suffer disproportionately.



ESG risks a future driver of liability losses

- Claims activity around environmental, social and governance (ESG) and sustainability issues is increasing.
- **Climate change-related litigation** is on the rise and is likely to become a significant source of liability exposure for companies and their directors.
- Another potential exposure comes from **claims of 'greenwashing'** where a company is sued by investors for unsubstantiated or misleading ESG claims.
- Environmental factors are also affecting product liability and construction claims. Extreme weather can affect the quality and performance of building design and materials.



Legal costs and derivative settlements continue to rise

- Inflationary pressures and higher severity shareholder derivative actions are among the trends driving elevated D&O claims.
- The growth of **special purpose acquisition companies (SPACs)** has also generated a number of losses for the D&O market.
- Litigation risk continues to be a key D&O concern, including US risk for non-US domiciled companies.
- Legal and defense costs continue to rise, a trend that may accelerate with inflationary pressures on salaries and fees.



Conclusions for clients

Conclusions for our clients

Good, old risk management continues to matter

- Protection of assets against fire and impact of natural perils
- Testing and quality control of products and services delivered

Inflation will have an impact, update your insured values and BI assumptions

Supply chains need attention

- More diversification (where possible) and increased risks of delayed deliveries
- Contingent Business interruptions will become harder to manage and more difficult to insure

Cyber security needs more and continued attention

Don't underestimate new trends in particular in ESG and corporate responsibility for supply chain

Thank you!

