

# Allianz SE XTRA:ALV

## FQ3 2021 Earnings Call Transcripts

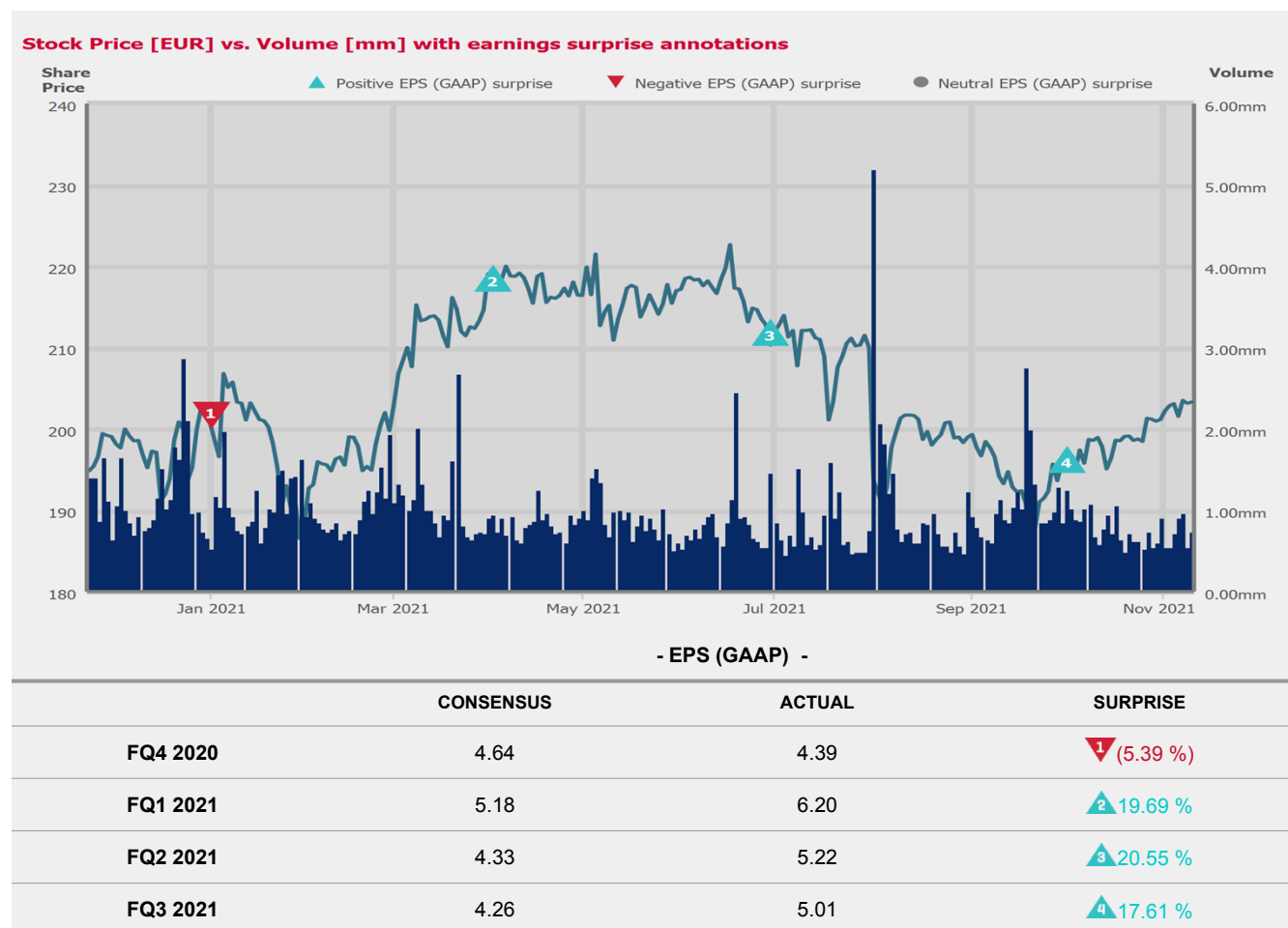
**Wednesday, November 10, 2021 7:30 AM GMT**

S&P Global Market Intelligence Estimates

	-FQ3 2021-			-FQ4 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	4.26	5.01	▲17.61	4.29	20.60	NA
Revenue (mm)	33481.00	34400.00	▲2.74	NA	136476.88	NA

Currency: EUR

Consensus as of Nov-10-2021 2:33 PM GMT



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# Call Participants

## EXECUTIVES

**Giulio Terzariol**  
*CFO & Member of the Management Board*

**Holger Klotz**

## ANALYSTS

Alexander Hübner

**Christian Schnell**

**Olaf Storbeck**

**Patricia Kowsmann**

**Stephan Kahl**

**Thomas List**

**Unknown Analyst**

# Presentation

## Holger Klotz

[Interpreted] Ladies and gentlemen, good morning, and welcome to the Allianz conference call on the Allianz Group financial results of the third quarter of 2021. I hope you're all doing well and you're all healthy. For your information, this conference call is being streamed live on the [allianz.com](https://allianz.com) and YouTube. A recording will be made available shortly after the call. The phone conference is as always scheduled for 60 minutes. And as usual, our Chief Financial Officer, Giulio Terzariol, will guide you through the quarterly results and then answer your questions. If for time reasons not all of your questions can be answered, then myself and my colleagues from financial communication will be available for you to answer them. And with this, I turn the call over to Giulio Terzariol. Please go ahead, Giulio.

## Giulio Terzariol

*CFO & Member of the Management Board*

Thank you very much, Holger. I'm glad as always to present the figures of Allianz for the third quarter 2021. If we turn to Page 3, we can start with the result for the first 9 months of the year. And as you can see, the results are very strong across the board. All in all, we had EUR 110 billion in revenues, and all the segments contributed to this. The operating profit was at EUR 9.9 billion, so close to the EUR 10 billion threshold. We had a growth rate of 27%. And in the previous year, we had the burden, of course, from COVID. But even if we adjust the figures for these COVID effects, the growth rate of the operating profit would have been 9%. And all the segments contributed to this growth in operating profit.

In Property-Casualty, we've seen an improvement of the combined ratio by 2 percentage points, and all in all we had a decrease of the burden due to the fact that COVID burdens were reduced. But as you can see, natural catastrophe burden was much higher in 2021 compared to 2020. So these effects balance itself out. So what we see is improved underlying performance, which led to this good combined ratio of 93.9% in spite of 3.7% burden from natural catastrophes.

In Life/Health, we've continued to get development. We have an operating profit of EUR 3.7 billion and a new business margin of 3.2%. And in Asset Management, EUR 2.4 billion operating profit with a clear reduction of the cost-income ratio by close to 4 percentage points, and the net inflows were also strong with EUR 90 billion, EUR 36 billion of this stemming from AGI. So I would say, all in all, the results for the first 9 months were really strong.

And if we turn to Page 5, we can also see that the third quarter stand-alone posted good figures. All in all, we had a growth rate of revenues of 9%. And we can also see that the growth rate in Property-Casualty was strong with 7%. So if you look at the 9 months figures, the growth rate in Property-Casualty was 2.3%. So we have a certain momentum that we reached in the third quarter here. And in Life/Health and Asset Management, we saw good results just as in the previous quarters.

The operating profit was at EUR 3.2 billion, a plus of 11%, compared to the previous year. In Property-Casualty, the combined ratio deteriorated a bit, but you can also see here how the NatCat impact was significantly higher than in the previous year with a difference of 4.1%. But I'll come back to the combined ratio later on in more detail. But I can only say that 94.7% combined ratio with a NatCat impact of 4.9 percentage points is certainly a solid and good figure.

In Life/Health, we had a new business margin of 3.4%, which we reached. And in Asset Management, another quarter with strong results with good net inflows of EUR 26 billion. So all in all, good 9 months, and once again, also a very good third quarter. As you've already learned, due to the good figures, we also went in that guidance up to the upper end of our upper range.

With this, we turn to Page 7. Here, you can see that the solvency ratio is stable at 207%, stable compared to the level at the end of June and also at the beginning of the year. And the key sensitivities have also remained unchanged.

On Page 9, as always, we show the development of our solvency ratio. All in all, we still have a very strong organic capital generation with a contribution of 7 percentage points before taxes and dividends. If we take out taxes and dividends, the contribution of our organic capital generation for the solvency capital development is 2.5%.

Market development was -- the market impact was slightly negative. And in tax and other, we have the effects and the tax effects. Those were some percentage points. And then we had other smaller effects, which were not included in any

of the main drivers. So all in all, a good and stable solvency ratio at 207%. And what's important is that organic capital generation remained very strong with 7% before taxes and dividends.

Now as usual, we come to the individual segments. And here, I would like to start with Property-Casualty. Our internal growth, as I've already said, remains strong. Internal growth of 7%. So we grew in most of the markets in Germany, for example, in Australia, Central and Eastern Europe, Italy, Latin America, Turkey, AGCS, Allianz Partners, Euler Hermes. So we grew in many units, but there are always certain exceptions. And if we don't grow in some areas, it might be pressure in motor business and that's the case in the U.K. and in Italy. And we're also working on restructurings in our commercial business, which is the case in France. And all in all, a good result with a growth rate of 7%.

And if we look at the price changes, the price trends, you can see that's also positive, plus 3.8%. And relatively stable compared to the previous quarter. So all in all, a solid figure or a solid picture when it comes also to the price increases.

Now on Page 13, you can see the development of the operating profit. All in all, our operating profit declined a bit. That was mainly due to a reduction of the capital investment result. And that the underwriting result remained more or less stable, and the combined ratio only deteriorated by 20 basis points, even though the NatCat impact worsened by 4.2 percentage points compared to the previous year.

What helped us in this regard was that the runoff ratio was positive. Also in the last year, we still had 50 basis points of a burden from COVID-19. But if you adjust for all these figures, we, nevertheless, have an improvement of the combined ratio by 1 percentage point that we posted compared to the previous year.

And what seems more important, if we normalize the figure for the NatCat burden, so if we take the 4.9% out and use a normalized expectation of NatCat of 2 percentage points, then the normalized combined ratio would have amounted to around 92%, which is another proof that we're well underway with our goal of reaching a combined ratio of 93%. So if we take this adjustment for the increased NatCat burden.

Now looking at Page 15. Here, as always, we showed the developments in the different units. And of course, the natural catastrophes led to certain burdens in specific OEs. First of all, if we look at Germany, with a great combined ratio of 98%, taking into account that the NatCat impact was very high with 14%. And in this case, I would really like to thank our employees who have done an excellent job in the situation following the flooding scare. And some weeks ago, I talked to the Head of Claims of Allianz Germany. And he told me some truly moving stories. And I can only say that in situations like these, the financial figures are definitely put into the background. And I just wanted to convey my sympathy for all the people who were affected by this catastrophe.

But coming back to the financial figures now, we've posted we had good figures in the U.K. and France, Australia, Eastern Europe. Italy also, it's a little higher. We had a certain burden there from storms and floodings as well. And then AGCS now has a combined ratio of 102.5%, which is a good combined ratio. Looking at the figures and if we adjust this for the one-off effect due to natural catastrophes, we're quite confident that we can reach the combined ratio of 98% of AGCS for the overall year.

If we look at the 9 months, the combined ratio of AGCS is at around 99%. So we're on the way to reaching the 98%, I would say.

And in Euler Hermes, with a combined ratio of below 70%, so great performance there. And the topic here is there are not that many insolvencies, which is also reflected in the banking world. Currently, there are not many insolvencies and we benefit from this, of course, also in our credit insurance business.

Page 17 shows the investment result, a decline of 6%, and that was due to volatilities in foreign exchange rates. If you look at the current yield, that's remained stable and also has increased a bit compared to the previous year. So all in all, if I look at the figures for Property-Casualty, in total, we've really reached excellent results for the quarter given the natural catastrophe background and also for the 9 months.

And that brings me to our segment, Life/Health, now. As always, we start with the new business. So the management of new business is going strong. We have a growth rate in new production of over 50% in the value here. We had a special effect here from a large reinsurance contract of EUR 3.7 billion. But also adjusted for this specific contract, where we've actively accepted reinsurance, the growth rate would still have been at 23%. And we can see growth basically in all of the countries.

In the quarter, Allianz Life/Health didn't grow, but over the 9 months, Allianz Life was also 2% above the previous year's level. And the mix continues to be very strong and developing into the direction we are aiming at. So all in all, good news when it comes to the development of new business production.

Now Page 21, we will look at the profitability of our portfolio. Also a good development with an increase of our operating profit by close to 12%. And here you can see that all sources of income have contributed to this. Loadings and fees were high, and the investment margin was 13%. The technical margin was also high at 17%. Expenses increased, but that's also got to do with the cost of acquisition. So we have more production and therefore, also more acquisition costs.

So all in all, around EUR 1.3 billion of operating profit. And as you know, our expectation per quarter was EUR 1.1 billion. So we're above that. Let's say, for the third quarter in a row that we're above expectations. And therefore, all in all, for our Life/Health segment, we will increase our expectations because we have seen a better performance than we had expected initially.

Page 23, the value of new business. The development here was extremely good with a growth rate of 80%. Here, we also benefited from this reinsurance contract that I talked about before. And adjusted for that, the growth rate would have been at 45%. And if you look at the picture per unit, you can say that almost all of the OEs posted excellent and improved figures and the same also holds true for the development of our operating profit.

Page 25. The investment margin in Life/Health grew by 13%. And here, we have 2 main effects that were reflected. First of all, the base has grown by 4%. And at the same time, our investment margin increased by around 8 percentage points. And the combination, of course, of an increasing margin and an increasing base led to this growth rate of 13%.

What's positive and what stands out in this slide is the development of the current yield, which grew by 7 basis points and that was due to the increased dividend in 2021 compared to the low levels of 2021 (sic) [ 2020 ]. At the same time, with this increase of the current yield, we reduced our guarantees. So we have development of high current yield and lower guarantees, and that is something that, of course, adds stability to our investment margin. So all in all, for our Life/Health segment, we posted good results and that holds true for the development of our new production in the sense of volume and productivity, but it also holds true for the profitability of our existing portfolio.

With this, I would like to come to Page 27 now. Here we have the figures for Asset Management. So all in all, our assets under management exceeded EUR 2.5 trillion. And as you can see, the increase compared to June was 2.4%. It might seem low, but that's just 1 quarter. But if you look at the increase compared to the beginning of the year, we're at around 7%. And if we compare it to the level of September 2020, we have an increase of 12%. So a good increase in our assets under management over those 12 months.

And it doesn't just have to do with the market development, market development was positive. But in these 12 months, also our asset managers had net inflows of EUR 120 billion, which was also an effort when it comes to these figures in net inflows.

Now looking at Page 29, as I've been talking about net inflows. We look at the third-party net inflows for the third quarter. And we can see a good performance once again with EUR 26 billion, EUR 19 billion of that from PIMCO and EUR 7 billion stemming from AGI. And if we look at the distribution of the net flows based on regions and asset classes, you can see that they are quite well spread across the different regions and across the different asset classes.

And we had more net flows into mutual funds, and these are the net inflows that create more revenue. So in this sense, this was also a positive development. In the quarter, also the foreign exchange rates had a positive effect for us, which also contributed to our growth in assets under management for third parties in the third quarter. And as always, if the asset base increases, then revenues follow. So all in all, we had a growth rate adjusted for foreign exchange effects and small consolidations of 16% with double-digit growth both for PIMCO and AGI. And fee margin also increased. That was driven above all by PIMCO, and that was due to the development of the mutual funds. So all in all, our mix has become more profitable and I think explains the increase in the fee margin.

Now on Page 33. Of course, if revenues grow, then the operating profit will follow. And the operating profit grew overproportionately. In Asset Management, there's a certain operational lever. And all in all, we had a growth rate of our operating profit of 30%. PIMCO grew by 17% and AGI had a great performance with a growth rate of 71%. The expense rate of PIMCO has significantly increased compared to the previous period. And if we look at the performance of AGI, for the 9 months, we see a growth rate of 60% of operating result and also an improvement of the cost/income ratio of

10 percentage points. So it's not just 1 good quarter, but all in all, a very good year for Allianz GI. And of course, we can always rely on the good performance of PIMCO.

Now Page 35, not too much to say about this. This is our corporate segment. Figures have remained more or less stable, a little bit improved compared to the previous year and they are in line with our expectations.

On Page 37, we can then see the shareholders' net income. The development, as we've seen, the operating profit had a positive development compared to the previous year. And if we take the nonoperating items, we can see a deviation of around EUR 300 million, but that's all explained through the realized gains and losses. Last year, we simply had more realized gains than in the third quarter '21. And as you know, this position is always volatile, and this is the reason why this item is included in the nonoperating items in our presentation. So all in all, a growth rate of shareholders' net income of 2%, even though we had less realized gains than in the previous year.

Now if we come to the last slide. All in all, a very good development with grown revenues, with an increased operating profit, with an increased shareholders' net income. If you look at the 9 months, we can see a strong performance. Our solvency ratio has remained strong and stable. And in addition to this, in 2021, we also paid out EUR 4.7 billion to our shareholders in the form of the dividend and the share buyback. So that is certainly a strong basis also for the fourth quarter. And that is also the reason why we've revised our guidance and have announced that we will come to the upper end of the given bandwidth. And as always, I want to thank all of our employees for their great efforts and this great performance.

And with this, I would like to hand over to your questions.

# Question and Answer

**Holger Klotz**

[Operator Instructions] The first question comes from Stefan [Wyer] from DPA.

Mr. [Wyer] can you hear us. That doesn't seem to work. So please try again.

So I would move to Mr. Hübner's question. Mr. Hübner.

All right, then we take Mr. Kahl from Bloomberg. And the other two, please try again.

**Stephan Kahl**

[Interpreted] Can you hear me now?

**Holger Klotz**

Yes, we can hear you, Mr. Kahl.

**Stephan Kahl**

[Interpreted] One probe on the asset flows, third-part. Allianz GI has done quite well with EUR 7 billion of inflows. In your presentation, you also said this comes from all regions. Does that basically mean that the headlines that we saw there have not shown any effect on the business, and no impact? That means customers were not warded off and they are still coming? Or do you see a certain slump in the inflows in the U.S.?

**Giulio Terzariol**

*CFO & Member of the Management Board*

[Interpreted] Thank you very much for that question. No. I'd say, so far this has not been selected. The figures for October were also good. AGI with more than EUR 2 billion of inflows. So actually, we do not see any impact. When it comes to Structured Alpha, this is an isolated strategy. That's why it doesn't have any implications for the rest of the business. You can't exclude that some institutionals over time might come to a different decision, but you need to say, we do not see that reflected in the figures. We haven't seen this in the third quarter. We do not see that in October. And also, again, this strategy was a specific AGI strategy.

**Holger Klotz**

Now our next question. Let's try it again from Mr. [Wyer] from DPA. Mr. [Wyer] can you hear us now? So we still seem to have a problem hearing him.

Then Mr. Hübner from Reuters, please.

Alexander Hübner

[Interpreted] Can you hear me now?

**Holger Klotz**

Yes, Mr. Hübner. Now we can hear you well.

Alexander Hübner

[Interpreted] Oh! Great. Wonderful. Two questions. So the first one, the obligatory one, when you look at your solvency ratio, can you make a statement on the perspective or tendency for the dividend for the year ending, as precisely as possible? And my second question, because I have to ask that again, the topic of hedge funds in the U.S. that was mentioned already, when do you believe that you have a clear picture to specify how much you need to provide for that as a reserve? And maybe you can tell us about the current status of the internal discussions or the discussions with the authorities?

**Giulio Terzariol**



*CFO & Member of the Management Board*

[Interpreted] Yes. Let me start with Structured Alpha. Clearly, we are working closely with the DOJ and the SEC, the regulators. And clearly, we do evaluate our various options regarding the action and the procedure. And clearly, it lies within our interest to find a solution as soon as possible. But we also need to ensure that we do find an economical solution that is reasonable.

I can't tell you how much or how long it's going to take, but it's definitely on the high priority list of Allianz. Of course, we want to clarify the uncertainty and want to leave that behind. When it comes to booking, we cannot really make a booking at the moment because we cannot reliably assess the impact. But if we have further elements and we make progress in the procedure, then clearly we are going to make every booking and currently, we are not able to do that. I could definitely imagine that by year-end, we will be able to make a booking. But I can't say now -- I can't promise now.

And on the topic of dividend, you know our dividend policy. So basically 50% of the annual surplus solvency ratio is more than sufficient. Liquidity is very good as well. So clearly, we do have the financial strength more than it is needed for paying the dividend. And the topic is how are we going to use our excess capital. There are always 2 options, it's either buyback or acquisitions. And as always, we definitely will make sure that we find the right allocations between those two with the aim to find the best value and generate the best value for shareholders.

**Holger Klotz**

Our next one in line is Mr. Storbeck from Financial Times.

**Olaf Storbeck**

[Interpreted] Can you hear me?

**Giulio Terzariol**

*CFO & Member of the Management Board*

[Interpreted] Yes.

**Olaf Storbeck**

[Interpreted] I also have one question on Structured Alpha. I would like to know, did you have any internal sanctions against the parties or the fund managers as, Mr. Tournant, who is the fund manager responsible? He's still shown as the fund manager on your web page since October or August 2010. Does this continue as normal? And why these investigations are running? How is this being done?

**Giulio Terzariol**

*CFO & Member of the Management Board*

[Interpreted] No, I can't comment on that, but you can imagine that. At the right point of time, we are going to take the right consequences. But I can't make any statements or comments anymore at the moment regarding the details regarding Structured Alpha or consequences for staff. But you don't need to worry.

**Holger Klotz**

Our next question, which is the last question in the German line, comes from Thomas List.

**Thomas List**

[Interpreted] Can you hear me? I would like to ask on life insurance because in the past there were a few capital measures in Switzerland and Italy. Could that be perceivable in Germany, like reinsurance solutions? Because you always disclosed or said that you don't want to sell anything. Is anything planned for Germany? And the second thing, life insurance, pandemic reinsurers have reported that there's an increased mortality because of the pandemic, specifically in the U.S. Do you feel anything of this increased mortality?

And my third question, the buyback program. You're writing that 3.8 million shares have been bought back. How does that translate into the amount in euros?

**Giulio Terzariol**

**CFO & Member of the Management Board**

[Interpreted] So how many shares did you buy back, that was the question. Yes, 3.8 million shares, and EUR 750 million was the amount, and 3.8 million shares were bought back. When you go to Investor Relations and share buyback, you can check all the figures of the buyback. So if I got your questions right. And mortality, all right. We've seen that in Indonesia. When you look at our figures, you can see that the results in Asia Pacific were declining slightly, which came from an impact in Indonesia, where mortality also has increased. Otherwise, we do not have any exposure on that situation in the U.S. We could see that. But for us, it's not that relevant.

And then the back book, whether we also perform reinsurance transactions in Germany? I would not exclude that. I would be wrong if I'd say that we would never do that. But it's not, I can tell you that. That is nothing we would actively do today. So for today, actually, we don't plan to make a reinsurance transaction within Allianz Life. But again, this cannot necessarily be excluded.

**Holger Klotz**

We have 2 more German questions. Mr. Schnell from Handelsblatt.

**Christian Schnell**

[Interpreted] Yes, I have 2 questions. First, on AGCS. You have outlined the status of refurbishment. And now the refurbishment case of AGCS, is that done or finished? Or is there still work to be done? What is the current status? And the other topic is on Allianz Direct, you're exchanging the management. So the impression is that it does not really run smoothly. How do you assess the current situation at Allianz Direct in AGCS?

**Giulio Terzariol**

*CFO & Member of the Management Board*

[Interpreted] We are quite confident that we can reach to 98% in this regard. The restructuring, we're doing fine. Of course, there's a lot to be done, be it restructuring or whether you have to look for opportunities, but the phase of restructuring, I would call it, has been accomplished. And now we are going towards growth.

But you always need to be careful, and clearly enough, in some areas, we need to further stabilize our business. But on all, I would say, we're moving into a new phase of AGCS. And on the Capital Markets Day, we are going to highlight targets for AGCS for 2024. And these targets are trying to prove that we are done with the restructuring measures. So that was the topic on AGCS.

And the question on Direct. The first phase was the platform -- the IT platform was to be set up. Took a rate of a common platform for 4 countries in the conference. And that platform was done, and that was according to plan. And as you know, some projects not always run within planned scope of a project. And I can say that setting up the IT platform was in scope, in budget, and was done according to a timely manner, and that's why we are highly satisfied.

One thing that worked a bit less satisfying was the development of the revenues. And now we'd like to focus on that area. And I believe we have set the basis for that and the new phase. We thought, okay, we can work with the new CEO, but also the previous COO wanted to find a new orientation. So we set new strengths now.

And I must say, if we said we are fully happy with the development of Allianz Direct, that would not be the case. But our first phase has been completed mostly, and then we will see in the next phase whether the revenues will also grow.

**Holger Klotz**

Now let's try again, Mr. [ Wyer ] from DPA.

**Unknown Analyst**

[Interpreted] My microphone did not like me this morning. All right. I have one question on the flood claims. You mentioned EUR 400 million in the presentation as the Nat impact. So in the meantime, in the reinsurance medium, there was one statement that with the gross claims in AGCS, this would be EUR 200 million. And before the gross claim was EUR 900 million. So what is the gross claim? So how many claims did you have to pay, and which amount, where at the end, the Nat claim was EUR 400 million after reinsurance?

**Giulio Terzariol**

*CFO & Member of the Management Board*

[Interpreted] Yes, for the floodings, we had a gross claim impact of EUR 1 billion -- slightly above EUR 1 billion. And basically, the payment for us was roughly EUR 400 million, which also includes the restatement premium that we have to pay to the reinsurance. So the Nat claim without restatement would be EUR 330 million, plus the so-called restatement premium. So EUR 1 billion gross and Nat roughly EUR 400 million.

**Unknown Analyst**

[Interpreted] How much goes to Germany? Can you tell that?

**Giulio Terzariol**

*CFO & Member of the Management Board*

[Interpreted] A major share, but I don't have the breakdown. But a majority falls on to Germany.

**Holger Klotz**

Now we go to the English line. And we're going to hear Patricia Kowsmann as first speaker from Wall Street Journal.

**Patricia Kowsmann**

I hope everybody can hear me. My question is just a clarification. You mentioned then that you expect by the end of the year, so the next month that I have, that there will be enough visibility on the DOJ and SEC investigations that you are able to set aside to make a booking for the financial hit?

**Giulio Terzariol**

*CFO & Member of the Management Board*

So I don't expect anything. So it's very hard to have expectations. So what I can say is that we are working very actively with the DOJ and the SEC. And clearly, we are evaluating our options regarding the litigation. So that's for us very high priority.

I would say that we're going to do what we can in order to be able to come up with an estimate, but we need to see how the situation is evolving. So it's a little bit hard to talk about expectations in the sense of our commitments. But I can tell you, we are committed anyway to do what we can to get to a resolution or to put the uncertainty behind us as soon as possible. But you need also to appreciate that we need also to make sure that we can't do a conclusion which is economically unreasonable for Allianz. So we need to strike the right balance between being fast and quick and get to the best outcome.

**Holger Klotz**

The next question comes from Sam Casey from Insurance Insider.

Sam, the line must be open. Okay, if it doesn't work, then we switch back to the German line. I'm sorry for that.

So the next question from the German line is a follow-up by Stephan Kahl from Bloomberg.

**Stephan Kahl**

[Interpreted] Yes, exactly. I wanted to come back to one remark you've made, whether I've understood that correctly. So you said you might be in a position by the end of the year to recognize impairments for Structured Alpha. Did I understand you correctly?

**Giulio Terzariol**

*CFO & Member of the Management Board*

Let's, again, not commit and promise this is going to be the case. So there is a nuance. One thing is to say we will do what we can, but we need to see also how the process is developing. So it's not a commitment or a promise, but that's definitely something we are working towards.

[Interpreted] Sorry, I should have answered it in German, but I hope you understood that, right?

**Holger Klotz**

The next question and the final question we have currently is, again, by Mr. Storbeck of Financial Times.

**Olaf Storbeck**

Yes, I have one question regarding the natural catastrophes. Do you have any efforts to reduce your exposure regarding natural catastrophes by using more reinsurance or other measures? Or is that something that's not that important to you right now?

**Giulio Terzariol**

*CFO & Member of the Management Board*

Well, I would say, diversification is one thing, but we've broadly diversified, I would say. I mean in Property-Casualty, we're the most diversified company in the insurance field. And of course, we always consider how to make best use of reinsurance programs. And we have also actively discussed reinsurance programs over the past weeks and we've come to the conclusion that our approach is fitting. We just need to do some tweaking here and there, but we've looked at several options. And in the end, we stick to our program with some little fine tunings here and there. And we also assume that reinsurance costs will go up.

Allianz is good account for the reinsurer. So this year, of course, we get a payment from our reinsurers, but I can tell you that for several years we paid quite a few premiums without claiming anything from the reinsurers. In the sense, we're a good account for the reinsurers. And the premiums we should see from the reinsurance companies, the increases should be moderate, but we know they will come. And we'll plan them into figures for the next year and then measures we'll take so that we can continue to improve our combined ratio.

**Olaf Storbeck**

One follow-up. So you said the insurance increase will be moderate, right?

**Giulio Terzariol**

*CFO & Member of the Management Board*

Yes. Yes. Yes. I said moderate.

**Olaf Storbeck**

And then another follow-up. So you've assessed the question whether you have to handle reinsurance differently when it comes to natural catastrophes, but you feel that you're well set up? Is this the core message, right?

**Giulio Terzariol**

*CFO & Member of the Management Board*

Yes. We think we have a good setup. But of course, we keep fine tuning and tweaking the models. And I mean when it comes to floodings, we have good models, also for Germany. There's always room for improvement, of course. But I would say that we are quite well set up in this regard. So we don't have to do that much reworking, and it's just normal improvements that you have to always aim for.

**Holger Klotz**

Now we have 2 more questions. The next question is by Thomas List of Börsen-Zeitung.

**Thomas List**

Yes, a question regarding cyber insurance and DSL. In the recent past, there have been some major cyber attacks. Do you realize this, in your figures, do you have a higher burden from that?

**Giulio Terzariol**

*CFO & Member of the Management Board*

No, no. We're very cautious also when it comes to cyber. So that's a topic where we don't offer that much capacity. And then we also have a reinsurance program here around cyber. So all in all, I would say, we are very concerned about accumulated risks and we want to restrict that. And therefore, we don't see a major burden from this. I mean, so far, we

basically haven't had any burden, but could be that there will be one or the other claim in this area, but not in the sense that they could affect our performance, at least from my point of view.

**Thomas List**

Okay. And when it comes to D&O, do you see any burdens there?

**Giulio Terzariol**

*CFO & Member of the Management Board*

Well, no specific burdens. Last year, we had the Wirecard case, of course. We've already created provisions for that. But other than that, I haven't seen any specific burden in the year 2021 in this area. No major cases and certainly not in the third quarter.

**Holger Klotz**

Last question from Patricia Kowsmann from Wall Street Journal.

**Patricia Kowsmann**

Just a very quick basic question. When you talk about booking regarding the Alpha, you're talking about the booking over the litigation? Or you're talking about the booking also over the DOJ/SEC potential financial effects of that investigation?

**Giulio Terzariol**

*CFO & Member of the Management Board*

When I'm talking about booking, there is a booking for litigation, there is a booking for any possible fines coming from the DOJ or the SEC. At the end of the day, when I'm talking about booking, I'm referring, in general, to the ability to booking for one or the other instances. I cannot tell you right now whether we are going to be in a situation to do a booking for maybe the litigation case, but not for any implication coming from regulatory activity, or we can do a booking for everything.

So now all kind of conversations that we have on the topic are a little bit speculative. I can just reiterate the message that it's high priority for Allianz to get to a resolution, but a reasonable resolution of this situation.

**Holger Klotz**

So there are no further questions at this point. And therefore, we'll come to the conclusion -- to the end of our phone conference. We would like to thank you for your interest and your participation. Thank you very much, and have a great day.

[Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]

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