

Insurance Times

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PAINTING THE TOWN BLUE

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THE PEOPLE

Aiming high: McGinn's big plan to make Allianz No 1

The insurer's UK general manager sets out his stall on how he intends to take the business to the top in five years – and how he needs more brokers to help him make it happen

ELINOR ZUKE

If you want evidence of Allianz's reputation as a steady, no-surprises insurer, look no further than Simon McGinn's appointment as commercial general manager.

His handover from Chris Hanks lasted 15 months, and he'd already been with Allianz for 10 years before that.

But McGinn's style is different to Hanks's. Allianz's corporate communications team got nervous about what the retired general manager might say to journalists. But in our interview, McGinn is careful not to express personal opinions that might be out of step with the German parent company's position.

Asked about how Allianz would be affected by a UK referendum on European Union membership, for example, he says: "I have a personal view, but it's best I leave that where it is in case it's at odds with the corporate one."

McGinn says Hanks – unfairly he stresses – called his style "painting by numbers". To which he retorts that Hanks's was more Salvador Dalí, because "you could never tell what it was until it was finished".

Banter aside, he is full of praise for his former boss, who he describes as "the most passionate person about the insurance industry that I've ever met."

"We're really grateful for what we inherited from him and we're trying to make the most of it, so when he turns up

every now and then, as he will, to ask 'how's it going?' we can say 'we didn't mess it up Chris'."

McGinn is here today to set out his own plan; one hatched with his executive team to become the UK's biggest insurer, by underwriting profit, in five years' time.

In 2013, Allianz's commercial underwriting profit was £35m. By McGinn's reckoning, Allianz is "two to three spots away from where we need to be". To get there, Allianz needs to grow its market share while staying profitable.

"It's a big stretch for us, but if you're going to have an ambition, you might as well aim big," he says.

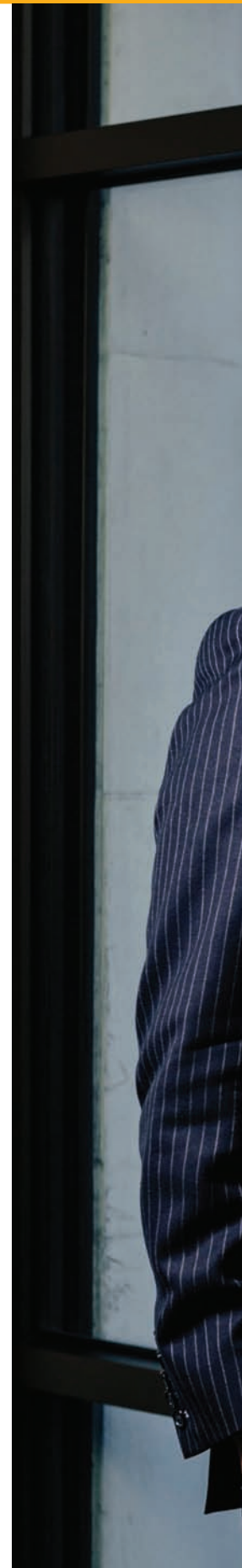
Mid-corporate target

One avenue on the road map is to more clearly explain to brokers and customers what Allianz's skills are, and to improve its proposition for six client groups it wants more business from.

The first of these will be retailers and wholesalers. Allianz picked them out because they make up 23% of UK

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businesses, and because it predicts the segment will grow as part of a consumer-led economic recovery.

The target client is a mid-corporate one, spending £30,000 to £50,000 on insurance each year. The risks this sector faces are constantly changing, and by articulating what it can do for each of them, Allianz hopes to equip brokers with a wider range of options for their clients.

In the retail example, there are emerging risks in IT systems and associated business interruption. There's the growing risk of cyber attack that comes with growth in online sales. There are complex supply chains that come with buying and selling to emerging markets, and the increased risk of disruption.

There's product liability too. And Allianz's risk management side can help retailers and wholesalers stay up to date with health and safety legislation.

"I certainly think there are a lot more customers out there that we don't currently deal with, that perhaps don't understand what Allianz brings to them. I'm hoping this will give brokers a wide colour palate to paint the solution for the customer.

"By speaking to customers as well as brokers that deal in this space, we've managed to identify the key elements that are important, and enhance the bits that might need dialling up and enforce the bits that are good."

Not enough brokers

For the plan to work, Allianz also needs brokers. At the moment, they don't trade with Allianz as much as they do with its big rivals. *Insurance Times's Broker Service Survey* revealed that the most common trading relationship brokers have with Allianz is to put between 1% and 9% of their risks their way.

The survey revealed that nearly half of Allianz brokers, 47.7%, placed that small proportion of risks with Allianz.

In contrast, only 17.4% of brokers place that small proportion with Aviva, and the rest place more.

"I think we don't get to enough brokers," McGinn admits. "We've grown dramatically in the last 10 years and built some very strong, very deep relationships with a lot of the bigger players in the marketplace.

"But there are an awful lot of brokers out there offering value to their customers, and I think we at Allianz miss a trick by not being more visible in their offices. I keep asking Andrew Broughton [McGinn's successor as director, commercial broker ▶



CURRICULUM VITAE

- McGinn joined Allianz Commercial in September 2004 as north and midlands trading director,
- Prior to Allianz, McGinn held various senior roles at Commercial Union and CGU (which became Aviva).
- Since joining Allianz he worked on developing its small business strategy, the acquisition of Premierline and the development of its 14-strong UK branch network.
- He sits on Allianz's UK management board and has responsibility for the company's UK commercial business.
- He is married with two sons aged 13 and 11. He is also an ex-rugby player and coaches a junior rugby team at Farnham Rugby Club.

'The critical thing for us is making sure that the strategy of being an underwriting-led business is really maintained and built on'

Simon McGinn, Allianz

▶ markets] how many more visits have we made to brokers, and how many underwriters have been out of the office to see a broker."

As McGinn describes it, Allianz was running at three out of 10 for pro-active trading. But there were good reasons for Allianz's relative silence.

In 2011 and 2012 it saw warning signs that would cause problems for its underwriting profitability unless it took early action. "That meant we were a bit less active in trading new business, and made some tough decisions about putting rates increases through at renewal at a time when the market wasn't particularly moving in that direction," says McGinn.

It increased casualty rates by 9% after it picked up that small slip-and-trip claims were settling for higher than they used to, and saw the first noise-induced hearing loss claims. The business also thought that property rates needed to increase to cover claims inflation and catastrophe losses.

"By the time I took over in June 2013, those problems were well on the way to

being dealt with. I came in and was able to talk to the business about really focusing on dialling up our trading activity," he says.

Problems addressed, McGinn wants to turn Allianz's dial up to six. "I'm not trying to turn the thing to 10 because our market's not quite where we need it to be yet. But I am trying to say: 'Come on then. Let's try to find some opportunities that allow us to deliver that underwriting profit and get us back into active trading'."

Maintaining the COR

The most profitable insurer goal will always come second to maintaining Allianz's 96% combined operating ratio.

That's part of McGinn's big sell too: "The critical thing for us is making sure that the strategy of being an underwriting-led business is really maintained and built on."

Allianz needs to stand for stability and consistency of approach. "Customers need to know, if they place a bit of business with Allianz, that we thought about it at the point at which we underwrite it, not the point of making a claim. Therefore they know they can expect a consistency of philosophy.

"We're not going to dip in one year and out the next and put our rates up by 50%."

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Allianz UK aims to overtake RSA and Aviva in commercial by 2018 [03/03/14]