

Allianz Global Corporate & Specialty SE

CLEPA Warranty Conference 2015

# Product liability and related coverage through insurance

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Brussels, May 28, 2015

# Allianz Global Corporate & Specialty SE

## Overview

We are one of the few specialist corporate insurers with a genuine global market presence who can provide “one carrier” insurance solutions across the whole spectrum of corporate and specialty risks.

- Diversified product portfolio
- Wide range of complementary services, including specialist non-traditional risk transfer solutions provided by our subsidiary ART
- Financial strength: EUR5.4 billion GWP (2014)\*
- Global reach: integrated in the combined Allianz and partner network of more than 160 countries worldwide
- Extensive international experience: manages some 2,300 International Insurance Programs
- More than 3,600 dedicated employees, of which some 1,000 look after German clients in country and abroad

### Product lines

#### Alternative Risk Transfer



#### Aviation



#### Energy



#### Engineering / Construction



#### Financial Lines



#### Global Programs



#### Liability / Casualty



#### Marine



#### Property



#### Risk Consulting



\*All AGCS companies

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# 1

## 1 The Autonomous Car

*Current areas of discussion and hypotheses offered by the experts*

## 2 Rising Compliance Needs

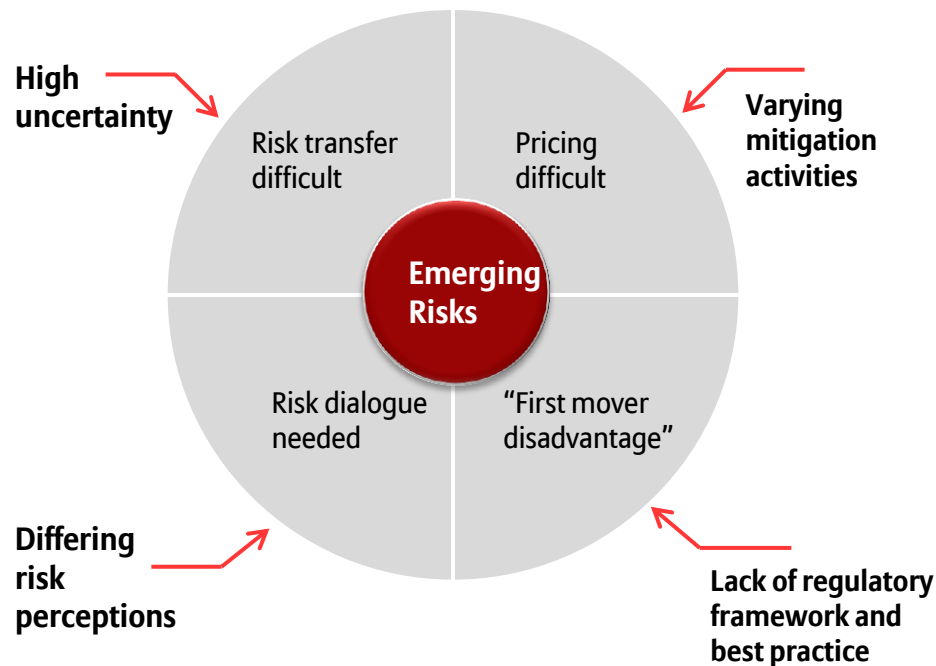
*Automotive Recall – International Insurance Solutions*


## 3 Crisis Management

*News from AGCS*

# Emerging Risks

The real issue is not that they are unknown, but the inherent uncertainty and trends



 Full nature and effects are not yet known

 Difficult to quantify

 Potentially high impacts

 Significant trends in exposure

 Might represent potential business opportunities

 Often already present in existing portfolio

# Emerging Risks

## Examples and their drivers

- Electromagnetic fields
- Genetic modified organism
- Power blackouts
- Social unrest
- Cyber risks
- Endocrine disrupters
- Nanotechnology
- Autonomous Vehicles
- Obesity
- Arctic
- Pandemics
- Fracking
- Offshore Windfarms
- Smart factories (Industry 4.0)
- Longevity
- Social Media
- Ageing Infrastructure (e.g. dams)
- Multi resistant bacteria
- ....



# Autonomous Driving: Obstacles which have to be overcome

## Technical obstacles

- Only a question of time until “full automation”?
- Transition period:
  - Autonomous Cars vs. „Old-timers“ on the same road?
  - Changes to infrastructure required?
- Consumer concerns iro reliability?
- Will there be (mandatory) trainings / certifications for drivers?



“Autonomous driving will really only make sense **when the driver does not have to keep a constant eye on the system**”, says ADAC transport expert Christoph Hecht.

*(Die Zeit 26/02/2015)*

## Position of Allianz Center of Technology (AZT)

- It must be ensured that highly automated vehicles provide a higher safety level for all traffic participants compared to conventional vehicles.
- In the long term we expect significant benefits for safety and collision avoidance in the roll out of automation.

# Autonomous Driving: Obstacles which have to be overcome

## Legal environment

- There seems to be mutual agreement, that “Autonomous Driving” will require significant reworking / adjustments on legal framework!
- E.g. Germany (status quo):
  - Existing legal order requires an Operator, who must stay alert / attentive during driving (e.g. „Wiener Straßenverkehrskonvention“, 1968)
  - Existing legal order also requires vehicle’s approval for traffic (“Fahrzeug-Zulassungsverordnung”)
  - Vehicle Owner: Strict liability (“Gefährdungshaftung”)
  - Operator: Fault-based liability (“Verschuldenshaftung”)
  - Manufacturer’s product liability based on faulty design, manufacturing defect, faulty instruction, lack of monitoring
- Cyber: Hacker attacks on software (e.g. deactivation of brakes)? Potential for further defendants (e.g. operator of transmitter masts)?
- Potential differences in legislation per country?



Allianz Versicherungs-AG CEO Alexander Vollert says that there will be insurance cover for self-driving cars as well. However, this **will depend on whether people are even allowed to let their cars drive themselves.**

(Die Zeit 26/02/2015)

 **Ultimate question: Who will be liable in case of an accident?**



# Autonomous Driving: Obstacles which have to be overcome

## Implication on Insurance

- TPL auto insurance of vehicle owner / driver  
vs.  
Products Liability of OEM / supplier  
vs.  
other potential parties?
- Less frequency, more severity?  
How will this impact total claims?
- Contractual arrangements between OEMs and suppliers?

*"90 percent of all traffic accidents are caused by human error and only 10 percent by technical faults"*

*(Die Zeit 26/02/2015)*

*"In my view, we have to take a close look at our traditional tariff model and incorporate new, technology-related tariff criteria," said former Allianz Deutschland AG CEO Markus Rieß last fall on the subject of automated driving. "When assessing the risk of highly-automated vehicles in the future, we will have to primarily focus not on the driver, but rather on the quality of the installed safety systems and the interaction between active and passive security" Rieß continued according to "Handelsblatt".*

*(HB 27/03/2015)*

**Adequate financial protection of victims must be ensured!**

# 2

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# Legal compliance is paramount...

With multiple legal and tax regimes worldwide, decisions on international insurance structure require a careful evaluation.

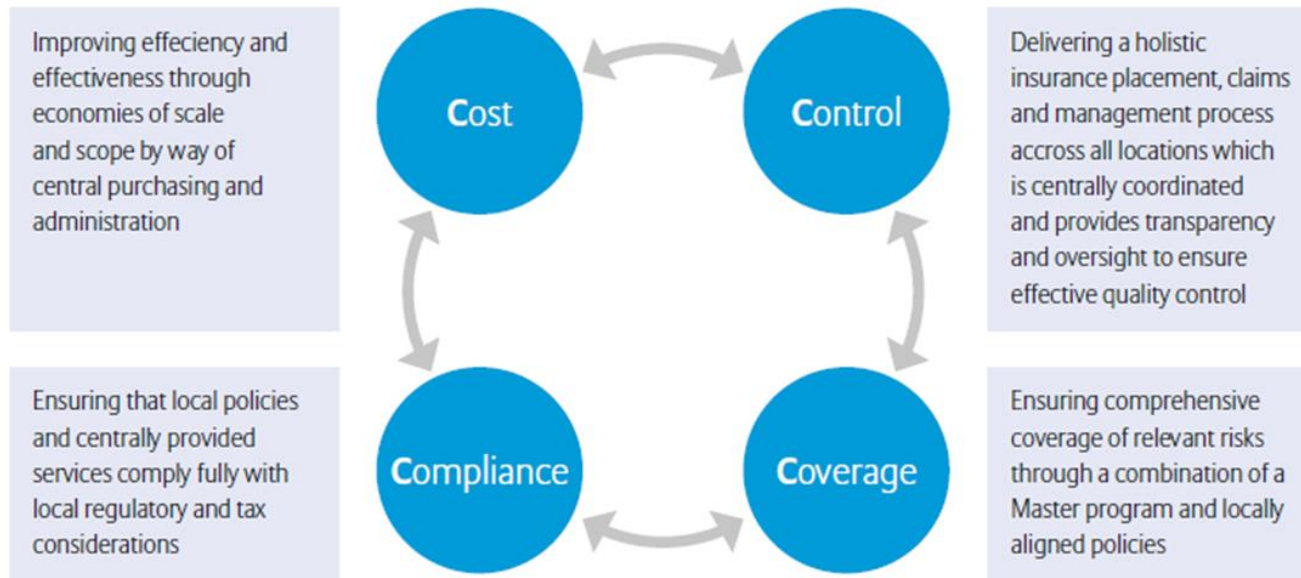
Governments seek to control the purchase of insurance due to the quasi fiduciary nature of the transaction and the importance to the overall public interest. Supervision of insurance markets may be carried out to achieve the following objectives:

- Protection of policyholder interests
- Maintaining solvency and local insurance market stability
- Ensuring confidence in the insurance sector
- Securing availability of insurance and retaining premiums within the territory
- Allowing local markets to develop such that they can compete with multinational carriers



## ...but not the only consideration.

How to deliver a comprehensive, consistent and compliant solution that covers all the main risks in a cost effective way.



Risk Managers need to balance the 4C's when choosing the optimal solution for their company

## „admitted“ vs. „non-admitted“

In many countries cross-border underwriting by a foreign insurer who is not licensed to conduct business in that country is not allowed

Admitted

**Admitted** insurance  
Contracts or coverage provided by an insurance company that is **licensed** in the country where the risk is located

Non-admitted

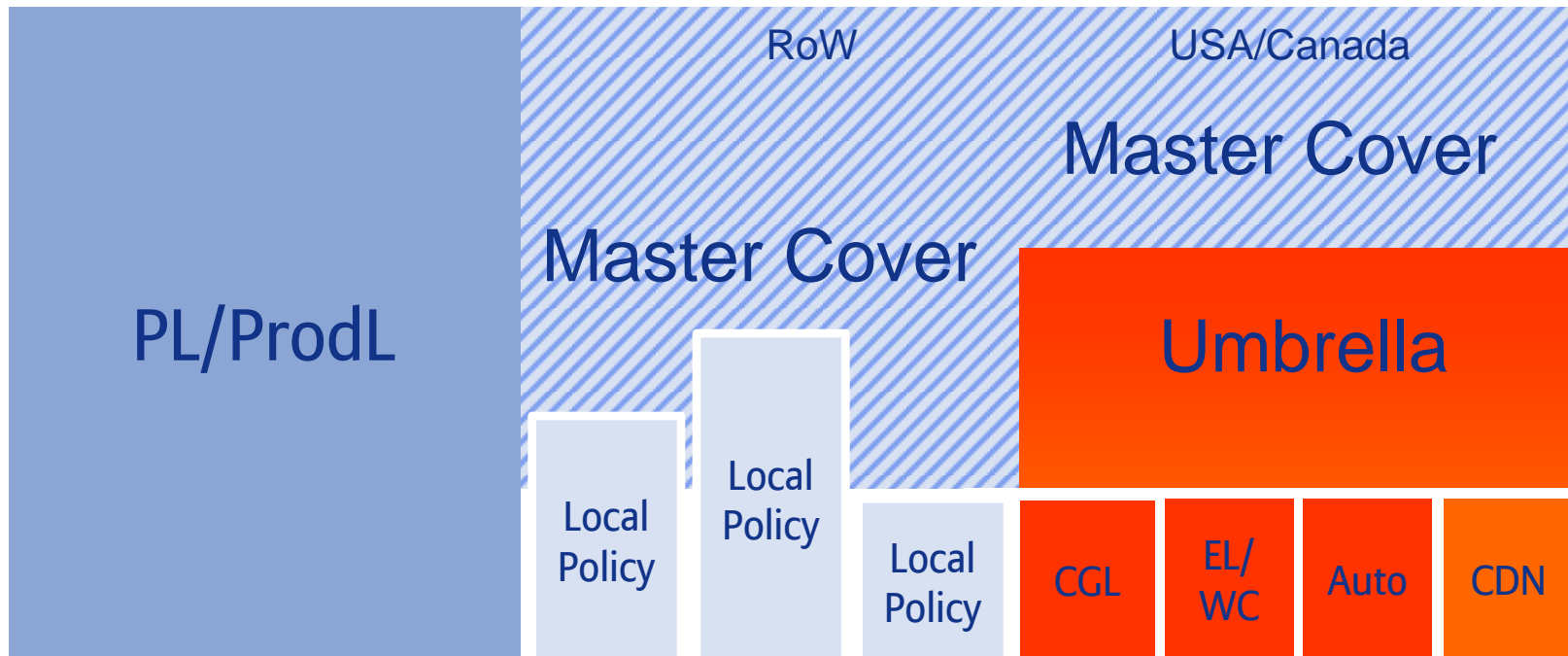
**Non-admitted** insurance  
Contracts or coverage provided by an insurance company that is not licensed in the country where the risk is located



Whether and under which conditions non-admitted insurance is allowed is subject to local supervisory law”

# Structures and Model

Coordinated programs to safeguard global risks



# IIP: International Insurance Programs

Necessary also for recall coverage



AGCS has established itself as one of the leading providers of international insurance programs and offers bespoke insurance solutions for companies with international exposure – also in the area of recall insurance

- Coverage for global automotive component manufacturers
- Master Cover for the Corporate parent and coinsured affiliates
- Centrally coordinated maximum scope of coverage, complemented by local policies with good local standard
- Payment of local insurance tax
- DIC/DIL-coverage embedded in the master cover, to ensure the scope of coverage is the same globally
- Centrally coordinated global risk management
- High expertise in claims handling and consistent claims management
- Claims settlement according to local policies

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## Recall & Contamination

- Largest stand alone capacity in the market, i.e. EUR 50 million any one risk
- Integrated International Programs
- ✓ Product Contamination policy for F&B, cosmetics, pharmaceuticals, tobacco, restaurant chains. Option to cover for governmental recall, adverse publicity, intentionally impaired ingredients and third party recall liability
- ✓ Auto-Recall policy including bodily injury and failure to perform triggers for both safety critical and non-safety critical component parts. Option to cover single contracts
- ✓ Consumer Goods Recall policy available for finished goods manufacturers, e.g. toys, clothes, electronics, household appliances. Option to cover for third party recall liability

## Cooperation with red24™

- Global response capability
- Pre-incident Planning
- QA, HACCP, Crisis Management Plans, Recall Plans
- Global Lab Network (SPS)



## Terrorism & Political Violence

- EUR 100 million capacity any one risk
- Integrated International Programs
- ✓ Property Terrorism and Sabotage including malicious damage and strike, riots and civil commotion
- ✓ Liability Terrorism
- ✓ Political Violence including insurrection, revolution, rebellion, mutiny, coup d'état, war and civil war
- ✓ NCBR sub-limits available

## Hostile Environment Solutions

- EUR 25m capacity
  - Global coverage for all employees
1. Land based HES with option for Family coverage
  2. Marine Piracy including Loss of Hire
  3. Emergency Evacuation including option for medical evacuation

## Cooperation with red24™

- Global response capability
- Online Country Risk Portal
- Pre-Incident Planning
- 24/7 operations centre
- Travel Tracker

