

Risks and opportunities: a mid-year update

Overview

- Allianz Trade has seen a strong start to 2022, with good retention rates and strong new business – the rebrand has created an extra buzz
- Appetite for cover remains strong despite the weakening economy, helped by a solid understanding of sectors and risks
- Customer service is being further improved with new products and faster decision-making on CLRs

With the economic outlook deteriorating, 2022 will be more challenging than expected for many businesses in the UK and Ireland. Cash flow is under pressure as costs rise, and many firms are still wrestling with disrupted supply chains.

Allianz Trade in UK & Ireland's Commercial Director, Özlem Özüner, sat down with Mike Buggy, newly appointed Head of Risk Underwriting, to discuss the current state of play, and outlook for the rest of 2022.

Q: How has the year gone so far?

Mike: Well, it's not the year we'd envisaged. We'd expected a return to normal dynamics, but the conflict in Ukraine dramatically changed the landscape. Although the level of direct trading between Russia and the UK and Ireland is low, the secondary impacts have been quite significant. And that's coming on top of existing inflationary pressures and supply chain disruption, plus higher structural costs due to Brexit.

For us, that has meant a dramatic increase in the number of applications for cover from clients. We have appetite – our risk analysts are on the road, understanding the risks and enabling us to support cover where appropriate.

Özlem: I'd also add that in terms of claims we're still not back to pre-Covid levels. But we need to be mindful that the story in the second half of the year might be quite different.

At Allianz Trade, we have had a really excellent commercial performance in the first quarter of 2022. We have seen signs of new business activity picking up from December, which has helped us conclude above budget. And our partners and brokers have mirrored this – their activity has been quite buoyant too.

There is a lot of new business from SMEs, which is quite encouraging. In terms of client retention, we have excellent figures, over 90%, and our brokers are seeing this too. Turnover of our customers in many sectors is increasing, which is adding to the growth of our portfolio.

It's also important to highlight our rebranding as Allianz Trade. I think it's been received very well by the market. Over the years, we've spent a lot of time reminding customers that we're under the Allianz umbrella, but now that we carry the brand itself, we have seen a pretty big impact. We're running several media campaigns right now, and it's providing a very positive buzz.

Q: What are the key priorities for 2022 for the commercial and risk teams?

Özlem: For commercial, the performance of the economy will be critical. The UK was the first major European economy to reach pre-pandemic levels of business failures, and it's feeling the stress earlier than other European countries, for the reasons Mike has mentioned. We've just updated our global forecasts for 2022 and see global insolvencies up 10% – but the figure will be 37% in the UK.

So, we have to support our customers in the second half of the year to deal with all these risks.

Mike: As pressures build, we're certainly starting to see increased late payments, particularly in construction and retail sectors. Our overall goal, of course, is to support our customers against the backdrop of a more challenging risk environment.

Özlem: We would like to increase our penetration in the SME segment. In order to achieve this, we are launching some new business initiatives to assist our brokers. We know SMEs require a response quickly, and we need to be as flexible as they are. The SME UK Trade Builder product enhancement will tackle three areas that are key to these clients – speed, cover and price.

Migration of our policies to the new global policy management system, Compass, is in progress. We are aware of some operational issues that have occurred following the migration and we apologise for any inconvenience caused for our mutual customers.

We have deployed further resources to the project and increased controls to avoid similar issues in the future.

Mike: We're also improving customer experience by making some changes. We now have dedicated underwriters to new business in each sector. This streamlines decision making and ensures a consistent approach. It also helps customers get a clear sense of our risk appetite.

In addition, we're using machine learning to make faster decisions on credit limit requests (CLRs). Our system can often approve limits in full, without the need for human interaction. We're seeing clients get positive decisions faster, and it enables our underwriters to spend more time with clients.

Q: Any other significant developments?

Mike: We're starting to see more clients face-to-face again, which is a welcome development. We've built a tool to help these meetings be more productive, a dashboard that collates data from lots of different areas, enabling our underwriters to give clients a real sense of our underwriting stance.

Özlem: We must also mention the retirement of Nigel Wyatt, Head of Broker Distribution, after 32 years with the company. He is known and respected by many in the industry because of his professionalism and dedication, and everyone at Allianz Trade would like to wish him all the best for the future. Nigel's replacement will be announced shortly.

We are also hosting the Industry Dinner this year, which is taking place on 17 November, and look forward to celebrating our achievements together with our brokers.

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