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10th Allianz Motor Day 

1

10th Allianz Motor Day "Sustainability in motor insurance", October 19, 2022, at the Allianz Center for Technology

Speech Klaus-Peter Roehler

Good morning everyone,

From here at the **Allianz Center for Technology**, I warmly **welcome you** to the **10th Allianz Motor Day**. It's nice to see so many of you joining us, **both online and in-person** in Ismaning.

Let me take a minute to **recap what has happened** since our last Motor Day in 2021. The **world** is still **facing tremendous challenges**: heightened by **inflation**, an **unexpected war in Europe** and the **related shortage of raw materials and energy supply**.

In addition, **the glaring effects of climate change** – be it **violent tropical cyclones** or **unusually heavy rainfall**, like those that devastated Western and Central Europe last summer; or in the shape of **abnormally dry weather**, which causes **droughts** that **lead to hunger**

crisis and water shortages. It's clear that the **challenges of sustainability will persist** for decades, **beyond all other crises.** This topic will remain crucial for our collective future.

In its Agenda 2030, the **United Nations** have defined **17 goals for sustainable development.** Also at Allianz, **sustainability is an essential part of our corporate strategy.**

2

Two points need to be highlighted here:

First, we want to offer our **customers sustainable insurance solutions.**

Second, we must become sustainable ourselves as a company. We have been **early movers in** this, with **measurable results:**

As a **founding member** of the **UN-convened Net Zero Asset Owner Alliance**, we made a **commitment** early on to make a **transition of our entire investment portfolio to climate-neutrality by 2050.** We also committed to a **25 percent reduction in greenhouse gas emissions by 2025.**

Our **efforts** have **not gone unnoticed:** Allianz was recognized **yet again** as a **sustainable insurer** this year in the **S&P 2022 Global Corporate Sustainability Assessment**, underlying the S&P Dow Jones Indices.

We at Allianz **support and promote** a more sustainable **economy and society.** Our **main purpose** as a **property and casualty (P&C) insurer** is to **strengthen**

the financial resilience of our customers after a loss event, and with that of course also natural catastrophes. Just think of the severe floods in western and central Europe in July 2021, or the numerous forest fires in southern Europe this year. Our climate experts predict that those extreme weather events will occur more frequently in the future.

Strengthening the resilience of our customers is also a goal of the EU taxonomy. Quoting verbatim: “The extreme weather events that are increasingly occurring as a result of global warming should remain insurable in the future through a forward-looking calculation and incentives for prevention.”

At Allianz, we strongly agree. But that's not enough for us. It is our responsibility that we as an insurer take action to reduce emissions and thereby reduce the negative impact of climate change.

Let's therefore turn now to the theme of our event ‘Sustainability in motor insurance’ and explore what (1) customers, the (2) economy and (3) regulators expect from car insurers, and particularly how Allianz can contribute – this will be the topic in our panel discussion. We believe e-mobility and other sustainable technologies are one of the biggest levers for sustainable mobility. Furthermore, we will talk about the levers to reduce claims management emissions and to run the business more sustainably.

At this point, I would like to highlight the **emission reduction targets** of the **European Union**, which are **very ambitious**. The **EU climate law** stipulates that Europe should become **climate-neutral by 2050** and that **by 2030** – in just **eight years' time** – there should be **at least a 55 percent reduction in greenhouse gas emissions compared to 1990 levels**. It's important here to mention that the **transport sector** is **responsible for almost 25 percent of greenhouse gas emissions** in the EU.

One thing is clear: Without sustainable mobility and the consistent expansion of e-mobility and other sustainable technologies, the EU's highly ambitious goals cannot be achieved.

We see that **vehicle manufacturers** are **significantly expanding their product portfolio** in the **direction of e-mobility**. That's **good news**. **Five years ago**, **e-mobility** in terms of **purely electric vehicles** was **below 1 percent in Germany**. This rose to **almost 7 percent in 2020**. **2021, 14 percent** of all new registrations were **fully electric** – which is a **200% increase from 2020 to 2021!**

By **2035**, we **expect 70 percent** of the **cars on European roads** to be **purely electric or hybrid**. That said, **combustion engines** will **remain on the roads** for **many years to come**.

To **achieve greater market penetration**, it is **imperative** that **all market participants** create

customer-friendly solutions that make e-mobility as well as other sustainable technologies suitable for the general public. This includes, among other things, faster expansion of the charging infrastructure, and competitive prices.

For its e-mobility customers, Allianz goes well beyond the classic range of insurance policies: Together with our partners, we are creating a dedicated digital platform for electric vehicles.

The platform will provide facts and figures on topics such as coverage or charging stations. More importantly, the offerings will include services such as a battery check before buying or selling a used electric vehicle, wallbox-installation with an on-site check, as well as a charging card on favorable conditions. It will also contain suitable insurance product solutions for electric vehicles, such as an extended warranty for electric vehicles and their batteries and road-side assistance with mobile charging addressing range anxiety – the biggest fear of e-mobility drivers.

The platform will go live at the beginning of 2023, starting with Germany. Over the course of next year, Allianz Partners will facilitate its rollout in many other markets. With this platform, Allianz aims to help customers to decide in favor of sustainable mobility by offering them a wide range of information,

products, and services related to e-mobility, all in one place.

Allow me to share with you what we consider to be the **four most effective levers to reduce CO₂ emissions as an insurer** in the area of claims.

1. Video inspection instead of on-site assessment

At the **beginning of 2020**, our **experts** carried out **more than 80 percent of car damage assessments on-site**. **Since then**, we have been able to **reduce this to around 40 percent by conducting video tours instead**. There are **two major benefits** of this:

- **The reduction of CO₂ emissions:** In **2021 alone Allianz Versicherungs-AG** prevented the **emission of 300 tons of carbon by NOT travelling** as much as **2 million kilometers¹**. We see a **large savings potential** here **across Europe**, depending on the **regional deployment possibilities** of our experts via technology.
- **And: Extremely positive customer feedback:** Our customers **appreciate the new service and rate it 4.7 stars out of 5**.

Moving on to the **second measure**:

2. ESG standards for repair shops

When **selecting repair shops in the future**, we will further **focus on sustainability**. We have to

collaborate with the industry to create future standards. Because it simply won't work without standards!

A **good example** from the **UK market** is the **“Green Hearts” standard for repair shops**, which my colleague **Hugh Kenyon** will explain in a moment. Let me **highlight some of the important criteria** here:

First, carbon-neutrality, which can be **achieved by saving energy in operations, using green electricity, and using quick-drying paints that dry at low temperatures.**

Second, Electric vehicles are offered as **accident replacement vehicles** and **third, the use of green (used) parts** is also **standard**. We want to **develop this model approach further with international partners.**

3. Re-use of spare parts

Used parts is the **keyword**. Here we see **significant potential for reducing emissions across Europe**. **Some countries** have **already taken promising steps to promote the re-use of spare parts**. In the **UK, the Netherlands and France**, regulations on the **supply and promotion of the reuse and utilization of used spare parts in repair shops** have already been in place for several years.

Why isn't that the case in all European countries? **Some vehicle manufacturers** have already **taken the initiative to offer used spare parts in their dealer**

network. In addition, aimed at **recycling electric vehicles** and their **batteries**, we see a **growing market for parts from the dismantling of end-of-life vehicles.** I am **positive about this development.** To support this, **urgent focus** is needed by **governments** and **regulators** to **develop the necessary legal frameworks.**

Our experts **see the greatest potential** in **repairing instead of replacing** with new parts – which **leads me to the next point:**

4. Repair instead of replace

A **majority of motor vehicle collision damages** are **small- to medium-sized**; meaning **2,000-5,000 Euro.** These damages **affect the exterior parts of vehicles: doors, bumpers, fenders, side panels and headlights,** as well as **glass damages** such as **stone chips to windshields.**

There are **repair options for all these parts** – what we **rightly call Smart Repairs or Green Repairs** – because the **replacement with a new part** has a **significantly higher CO₂ footprint** than a repair.

This **potential for prevention of CO₂ emissions** can be **quantified:** In **partnership** with **Oakdene Hollins** and **Metsims**, the **Allianz Center for Technology** compared **CO₂ emissions from repairs** with those from **using new parts.** We noted a **high emissions reduction potential for each individual part.** When

repairing a modern LED headlight, there was greenhouse gas reduction of 99 percent, and the value for repairing a windshield was similar. With a side panel, it's still around 60 percent.

Allow me to make an **assessment**: If we, as car insurers, partner with repair shops to raise repair rates by just **2 percentage points**, according to the calculations by our **experts**, almost **30,000 tons of CO₂ emissions can be prevented in Europe every year**. This corresponds to the consumption of around **5,100 households per year**. Furthermore, repair instead of replace leads to

- **faster repairs** and
- **cost reductions – beneficial for customers and insurers**, in times of **supply chain bottlenecks** and **inflation**.

Electric vehicles and their **lithium-ion batteries** add a very important component to our considerations. The production of a **high-voltage battery**, including the **casing**, makes up around **a third of the entire ecological footprint** of a **mid-range vehicle** such as the **Volkswagen ID.3**.

I am **pleased to inform you** that our partner **Volkswagen is with us today**. At their stand, experts will **demonstrate the lifecycle assessment of a high-voltage battery in an electric vehicle**. They will also **shed light** on the **question of how**, in the event of a **damage**, the **expensive replacement of a battery can**

be avoided in the future through suitable diagnostic and repair procedures. An exchange of a battery would be the absolute exception. That is a great benefit for the climate!

Today, we have a number of experts on this topic at the exhibition stands, offering many practical examples, of which we will also share some with the international audience in the upcoming panel discussion.

I hope that our ideas, our suggestions and our actions to prevent CO₂ emissions together have convinced you - because only together can we win the fight for climate protection. I wish you fruitful discussions and I thank you for your attention.