

Allianz Chief Baete Says Virus Hit Insurers Like ‘Meteorite’ (1)

By Stephan Kahl, Matthew Miller and Anna Edwards | April 16, 2020 5:13AM ET

Allianz SE Chief Executive Officer Oliver Baete warned the coronavirus has upended insurers’ business models and will cause “massive” losses across the industry.

The virus has forced closures across the entire economy and not just in a limited number of cases, Baete said. Any recovery from those shutdowns will likely take longer than people currently predict, he said.

“The coronavirus has hit our industry like a meteorite impact,” Baete said in an interview on Bloomberg Television. “There will be huge losses for the industry coming, it just takes a while for those to materialize.”



(Source: Bloomberg)

WATCH: Baete warns of “massive” losses across the insurance industry.

Baete spoke just after the German government unveiled a plan, first reported by Bloomberg, to backstop losses at commercial credit insurers to keep trade flowing and prevent bankruptcies. Allianz is one of the companies to benefit because one of its units, **Euler Hermes Group**, is among the top players in that market.

Commercial credit insurers provide cover for businesses in case customers pay bills late or default. Baete [said](#) in February that Allianz's biggest potential risk would be from any bankruptcies in Europe spurred by the virus's spread, which would hit its credit insurance coverage in the region.

Pimco's Performance

While Allianz is strong enough to shoulder claims, its business model would require it to scale back coverage without a backstop, reinforcing the impact of the virus on global trade, Baete said.

"It's a very, very important measure the government has taken," Baete said. "We are extremely stable, we could absorb all the losses," but if insurers cut back coverage, "then people will further reduce trade."

Under the German plan, the government will backstop losses of 30 billion euros (\$33 billion) for commercial credit insurers this year. In return, insurers will surrender 65% of their premiums to the government while continuing to provide coverage.

Allianz so far has "not incurred any significant losses" in its investment portfolio and was actually doing well in some areas, such as at its bond manager [Pacific Investment Management Co.](#), he said.

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