

Alexander Hamilton Award

Allianz

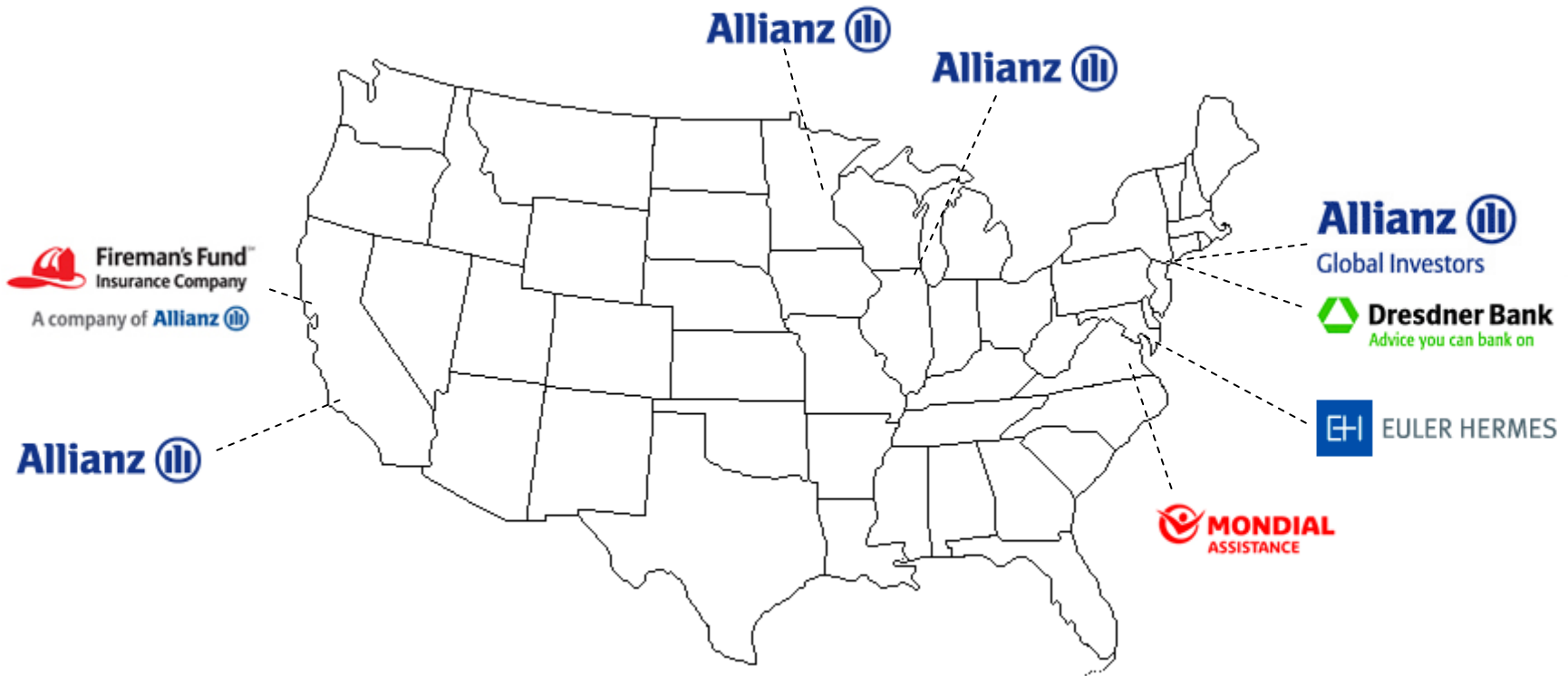
October 28, 2008



Agenda

- Overview of Allianz in North America
- Building A Sourcing Center of Excellence
- Project Overview (“PSD”)
- Project Organization
- Project Governance
- Post Project Monitoring and Tracking

Overview of Allianz in North America



Key Facts

- All entities are subsidiaries of Allianz SE (the “Allianz Group”), headquartered in Munich, Germany
- Allianz Group is a Global 50 firm with over 177,000 employees operating in over 92 countries across Europe, Asia, North America, South America, and Oceania.
- Participating North American affiliates include Fireman’s Fund Insurance Company (“FFIC”), Allianz Life Insurance Company of North America (“AZ Life”), Dresdner Kleinwort (“DKIB”), Allianz Global Corporate and Specialty (“AGCS”), Euler Hermes (“EH”), and Mondial World Access (“MWA”)
- Lines of business include Property & Casualty, Life, Travel and Credit Insurance, Investment Banking, and Asset Management

Building A Sourcing Center of Excellence



AZOA's Treasury organization incorporated key sourcing best practices and shared services into a common function to support multiple operating entities.

Sourcing Best Practices

Governance

- Centralize purchasing authority
- Provide strong oversight
- Retain business control over relationship management

Structure

- Organize by business area
- Employ Category Experts
- Utilize shared functional specialists for Purchasing, Contracting, Order Tracking, etc.

Service

- Maintain a Product & Services Catalog
- Utilize cross-functional teams with business partners
- Provide dotted-line reporting to businesses

Products & Services

Strategic Sourcing

- Demand Management / Specifications
- Business Requirements Gathering
- RFQ Solicitations
- Bid Evaluation and Vendor Selection Support
- Negotiation

Contract Management

- Contract Drafting
- SLA tracking and Enforcement (as needed by business)
- Renegotiation and Renewal
- Contract Ownership
- Vendor Communications

Purchasing Administration

- Order Placement
- Materials and Service Delivery
- Order Tracking
- Payments
- Reconciliation

Metrics and Monitoring

- Needs Analysis with Business Unit
- Spend Intelligence
- Baseline and Savings Monitoring
- Benchmarks

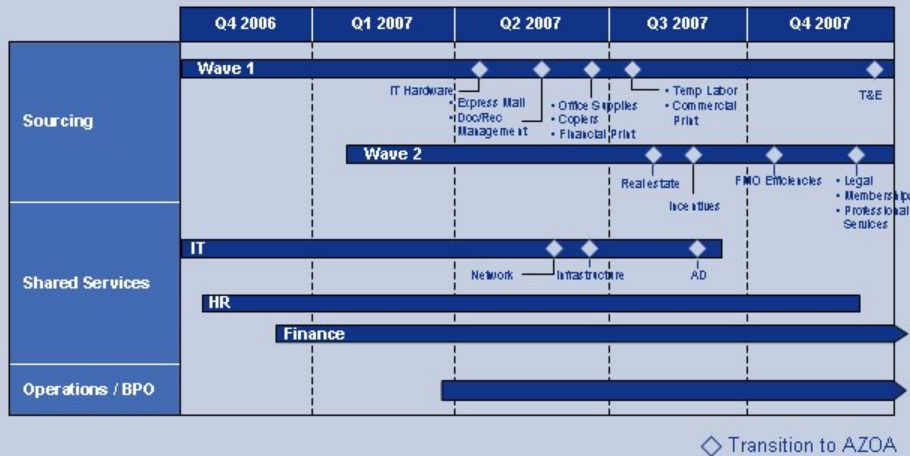
Project Overview (“PSD”)

PSD was a complex, aggressive, and fast paced multi-company initiative. Governance was built into the foundation of project at the earliest phases to provide oversight and ensure performance against goals.

Objective

- Board mandate to achieve \$150MM in annual efficiencies in North America by achieving synergies through:
 - Creation of a Shared Services Organization: Aggregate common back-office business processes and their supporting infrastructure (e.g., IT, HR, Finance) at FFIC and AZ Life
 - Strategic Sourcing: Reduce costs and improve service quality through purchasing synergies across most Allianz North American Operating Entities (FFIC, AZL, AGI, AGCS and Dresdner)

Workstreams

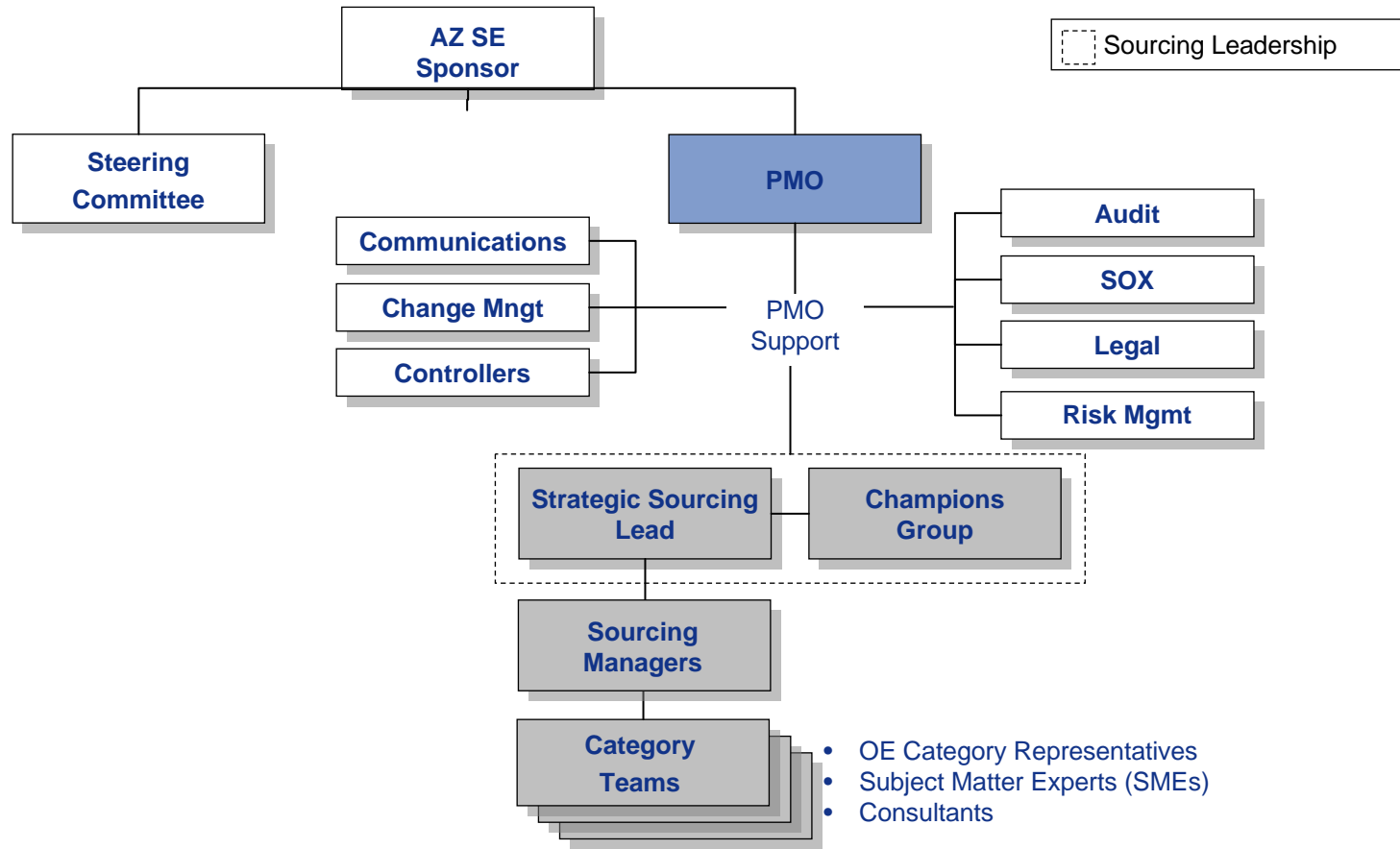


Outcomes

- \$30+MM in annual sourcing savings
- 246 - Number of Subject Matter Experts and stakeholders coordinated across the 7 operating companies to ensure business requirements were properly defined
- 434 - Number of proposals solicited
- 113 - Number of suppliers chosen
- 159 - Number of contract documents developed
- 819 - Number of internal governance reviews completed

Project Organization

A Project Management Office (PMO) coordinated executive and governance support with dedicated sourcing leadership providing command and control of category teams on the ground



Foundational Pre-Work

- Contract Amnesty
- Implementation of Monetary Authorities
- Flexible Multi-party Contract Structure
- Structured Approach to the Market
- Standardized Contracting and Sourcing Tools
- Cross-OE Spend Analysis

Project Governance

A rigorous governance review process ensured a high degree of confidence in baselines and savings. Workstream leads were responsible to ensure governance reviews were completed and documented.

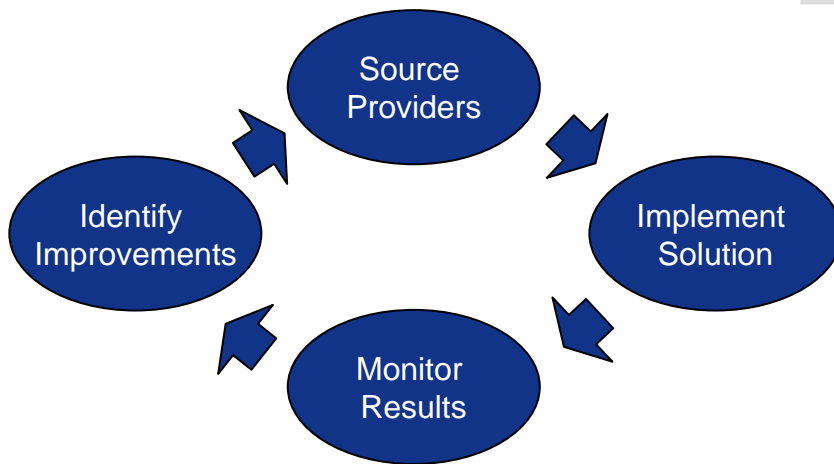
	Baseline Approval	Project Impact Approval	Implementation Approval	Final Sign-off
Deliverable	<ul style="list-style-type: none"> • Spreadsheet or database that disaggregates historical spending • Memo detailing data sources, methodologies and assumptions 	<ul style="list-style-type: none"> • Saving analyses by component • Complete CBA • Summary memo covering: baseline, annual impacts, methodologies and sources 	<ul style="list-style-type: none"> • Implementation roadmap / timeline • Required reporting elements or metrics (KPI's) for tracking purposes 	<ul style="list-style-type: none"> • Consolidated package of baseline, project impact and implementation plan documentation
Key Participants	<ul style="list-style-type: none"> • PSD Finance Team • Workstream Lead 	<ul style="list-style-type: none"> • PSD Finance Team • Workstream Lead • PMO 	<ul style="list-style-type: none"> • Workstream Lead • PMO 	<ul style="list-style-type: none"> • AZOAC CFO
Form of Approval	<ul style="list-style-type: none"> • Workstream lead approval form • Acknowledgment by SMEs 	<ul style="list-style-type: none"> • Workstream approval form • PSD Finance team approval form 	<ul style="list-style-type: none"> • PMO meeting minutes acknowledging approval of implementation plan 	<ul style="list-style-type: none"> • CFO reviews final package • CFO provides written "sign off" of savings
Next Steps	<ul style="list-style-type: none"> • PSD Finance team and work stream lead schedule review sessions 	<ul style="list-style-type: none"> • PSD Finance team notifies CFO of completion of project impact review • Workstream lead reviews implementation plan with PMO 	<ul style="list-style-type: none"> • PMO collates approvals and implementation plan package for CFO 	

Post Project Monitoring and Tracking

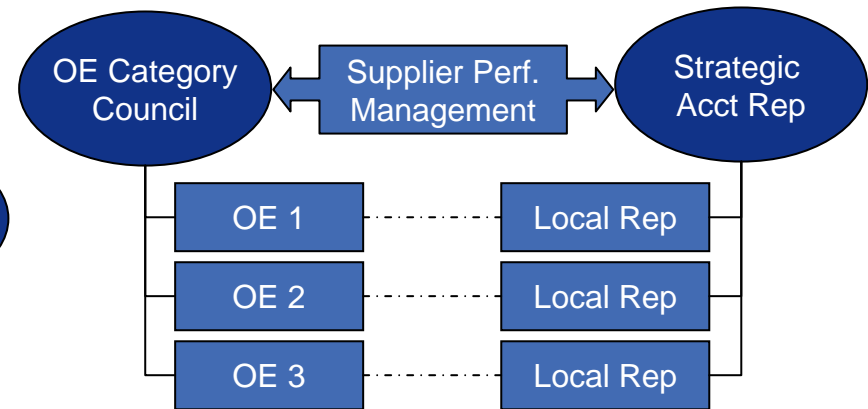
Processes and tools were implemented during the project to support supplier performance monitoring and compliance monitoring by participating operating companies after PSD concluded.

Challenges
<ul style="list-style-type: none"> ■ Sustaining an environment with continuous improvement and sharing best practices ■ Effectively managing SLA's, milestones, and critical contract dates with multiple OE's ■ Maintaining local support while leveraging the benefits of a larger scoped relationship ■ Communicating with a consistent voice on behalf of Allianz North America OEs with key suppliers to ensure optimal performance

Continuous Improvement Approach
<ul style="list-style-type: none"> ■ Local Operating Entities <ul style="list-style-type: none"> • Responsible for OE relationships with supplier's local account team • Participate in Category Specific Councils and monitor local requirements ■ Category Specific Councils <ul style="list-style-type: none"> • Discuss, escalate, and resolve systemic supplier service level issues • Share & develop category best practices and benchmarks • Leverage the power of the group to manage supplier performance ■ AZOA Strategic Sourcing & Procurement <ul style="list-style-type: none"> • Manage critical contract dates and milestones • Coordinate category councils • Escalation point of critical business issues with supplier • Initiate further sourcing opportunities



Continuous Improvement Cycle



Supplier Performance Management Interface

Post PSD Monitoring and Tracking



Lastly, the team implemented a spend analytics tool from Emptoris to facilitate continued spend analysis for new opportunity identification and compliance monitoring.

Emptoris SPEND ANALYZER ALLIANZ | MICHAEL KAN CHANGE PASSWORD | CONTACT EMPTORIS | HELP | LOG OFF

View Search Feedback Top Reports Preferences Admin Viewer Emptoris

View Type: Dimensions

GL_ACCOUNT (1-50 of 80)

TIME (3 of 3)

FULL_NM	USD_AMOUNT	ORIGINAL_AMOUNT	Count	PERCENT_OF_...
TIME	\$15,461,267	\$15,461,267	62,314	
2006	\$4,261,636	\$4,261,636	25,724	
2007	\$6,461,740	\$6,461,740	33,745	
2008	\$4,737,891	\$4,737,891	2,845	

COMMODITY (1 of 1)

FULL_NM	USD_AMOUNT	ORIGINAL_AMOUNT	Count
COMMODITY	\$15,461,267	\$15,461,267	62,314
General & Administra...	\$15,461,267	\$15,461,267	62,314
Office Supplies & Eq...	\$12,754,461	\$12,754,461	61,73
Office Support	\$2,706,806	\$2,706,806	58

COST_CENTER (1 of 1)

FULL_NM	ORIGINAL_ID	USD_AMOUNT	ORIGINAL...
COST_CENTER		\$15,461,267	\$1
FFIC		\$15,461,267	\$1
RE Loc - Walnut Cree...	118285	\$1,461,179	\$
Discontinued Operati...	DOHOFF	\$2,400,824	\$
RE Loc - Dallas	118788	\$1,206,777	\$
RE Loc - San Marin	118230	\$607,489	\$

SOURCE_SYSTEM (4 of 4)

FULL_NM	USD_AMOUNT	ORIGINAL_AMOUNT	Count	PEF
SOURCE_SYSTEM	\$15,461,267	\$15,461,267	62,314	
FFIC AP	\$13,460,756	\$13,460,756	57,689	
FFIC CDW	\$2,528,041	\$2,528,041	489	
FFIC PCard	\$107,046	\$107,046	3,693	
FFIC T&E	\$24,738	\$24,738	443	

VENDOR (1-100 of 582)

FULL_NM	USD_AMOUNT	ORIGINAL_AMOUNT	Count	PERCENT_...
VENDOR	\$15,461,267	\$15,461,267	62,314	
Staples, Inc.	\$9,288,074	\$9,288,074	55,761	
EOP OPERATING LP	\$1,204,743	\$1,204,743	75	
COORDINATED RESOURCE...	\$2,206,879	\$2,206,879	96	
Weyerhaeuser Company	\$2,267,827	\$2,267,827	408	
Ricoh Company, Ltd.	\$1,083,280	\$1,083,280	2,335	
Haynes Furniture Com...	\$607,477	\$607,477	10	
ONE WORKPLACE	\$322,778	\$322,778	244	
TAB SALES OF CALIFOR...	\$107,884	\$107,884	68	
IKON OFFICE SOLUTION...	\$71,880	\$71,880	77	
C J OFFICE FURNITURE	\$56,825	\$56,825	3	
Office Depot, Inc.	\$54,547	\$54,547	797	
Capitol LLC	\$46,413	\$46,413	6	
GBH COMMUNICATIONS I...	\$36,188	\$36,188	12	
Proforma	\$37,404	\$37,404	2	
SERB SYSTEMS INC	\$36,017	\$36,017	2	
GOLDEN STATE CONTAIN...	\$34,545	\$34,545	2	
IVCI LLC	\$31,888	\$31,888	11	
Xerox Corporation	\$31,462	\$31,462	84	
BRANDVIA ALLIANCE IN...	\$29,262	\$29,262	62	
THE PAIGE COMPANY IN...	\$28,123	\$28,123	1	
OFFICE RELIEF INC	\$24,584	\$24,584	229	
TOSHIBA CORPORATION	\$23,272	\$23,272	22	
OfficeMax Incorporat...	\$18,879	\$18,879	373	
Connect Water System...	\$16,788	\$16,788	34	
Corporate Express NV	\$16,823	\$16,823	49	
HOGUE & ASSOCIATES I...	\$16,474	\$16,474	7	
PARAMETERS	\$16,034	\$16,034	1	
ALPHA VIDEO AND AUDI...	\$15,887	\$15,887	5	
ULINE	\$16,188	\$16,188	39	
MIMEO.COM	\$15,082	\$15,082	12	
CANON INC.	\$14,821	\$14,821	6	
EMERGENCY LIFELINE I...	\$13,466	\$13,466	17	
PAUL'S TARPULINE AN...	\$12,844	\$12,844	1	

