



Allstate

NOW

HELPING EMPLOYEES SERVE OUR CUSTOMERS

Sharon Marshall: Keeping "America's Promise"
"These kids are phenomenal, wonderful. All they need is a chance, and for someone to say, 'I care about your life.'"

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Positioned to be a player



Mike Schmitt

"A great many people have sacrificed a great deal to make this all happen," says Jim Sherwood.

The 21st century promises to be the first truly global era in human history thanks to 20th century advances that increasingly interlink people, cultures and economies.

In this shrinking world, the emerging global insurance market offers tremendous potential — at least for companies willing to commit their expertise for the long haul.

Allstate is positioning itself to be a world-class player in the international insurance marketplace, thanks to a team effort that spans the globe. Last fall, *Allstate NOW* reported on Allstate's foreign market strategy, and in this issue we bring you an update on some of the accomplishments and continuing goals of the company's efforts in Germany, Southeast Asia, India, China, Japan and other economies worldwide.

"It's essential to compete in the global insurance marketplace because that's where tomorrow's growth will be," says Ed Young, president, Allstate International.

"With two-thirds of insurance premiums generated outside the U.S. in markets that are growing twice as fast as ours, we owe it to our employees and our shareholders to expand our presence in both industrialized and emerging nations."

Allstate is well prepared to earn its share of the global market, according to Jim Sherwood, director, international operations.

"Internationally we are focused on leveraging our core strengths as a personal automobile and personal life insurance carrier," he says.

Allstate's basic strategy is to enter the auto market in developed nations facing deregulation, and the life market in nations with emerging economies and those that are in the process of opening their market to foreign competition. In every case, plans are for long-range development, not merely immediate payoffs.

"Our foreign offices are like seeds in the ground but as they grow and mature, they're going to become very large organizations that contribute significantly to Allstate's success," Sherwood says. "Because we understand the role that international will play in building shareholder value, we've set some very aggressive revenue goals."

Many people are lending a hand both at home and in the field. In the last 18 months, Allstate has expanded from three to 14 expatriates, and the number could expand significantly in the next few years.

"But we also owe a lot to the rest of Allstate for supporting us," says Sherwood. "In addition to the expatriates, we have employees working night and day and weekends, often living in other countries for weeks at a time. A great many people — at home and in the field — have sacrificed a great deal to make this all happen."

Sherwood offers an overview of Allstate's presence on the international scene:

Germany, less than a year and right on track

"Kevin Gow and his team are achieving great results in Germany and they haven't

even been in business a year. They're growing rapidly, and getting about 1,000 calls a day. In fact, it looks like they're going to be the most successful direct writer launch in German history.

"In Germany, Allstate hires carefully selected outside vendors to do the field work of appraising vehicle damage. This method avoids the expense load of setting up claims representatives in every town in the country until we build our customer base.

"We've brought innovations to these vendors, and are committed to a much higher standard of care and service than German customers are used to experiencing."

Making progress in China

"Just opening a representative office in China is a complex, time-consuming process, but we now officially have one in Beijing. We're not selling business and we may not sell for years, but Jon Dante is there to learn about the market, create a network of contacts, position Allstate for launch, and generally assist the Chinese in building the infrastructure needed to support the insurance industry there.

"We're most likely the largest automobile insurer that will ever come to China, and we have expertise that no one else has when it comes to automobiles. The emerging market economy is resulting in a larger car market and China will someday be flooded with automobiles.

"It's also going to be a tremendous life insurance market, and we're keeping our eyes and ears open to identify potential opportunities.

"Jon Dante is one lone Allstate employee in a country of 1.2 billion people, but his presence there is a vital first step."

Ribbon-cutting in Southeast Asia

"Ron Blake and his team are building our new life company in Indonesia. We bought an existing company with our joint venture partner there. We're adding technology, capital and hiring people to prepare for a launch. In fact, a ribbon-cutting ceremony is scheduled for early October in Jakarta.

"We're also moving forward very quickly in the Philippines, the next target of our Southeast Asia expansion."

India: We may be the first

"India nationalized all its life insurance companies in the '50s, and they now have one government-owned life insurance company

with 510,000 agents serving 960 million people. But things might be breaking there.

"Parliament is expected to pass a law this year permitting a small number of companies to enter the health insurance and pension annuity business.

"Hopefully we're the lead candidate for annuity business. In fact, we may very well be one of the first western insurance companies to start an operation in India."

Japan: Only now facing deregulation

"We've been in Japan a long time, but we're now going to see the same kind of changes in the Japanese auto market that we witnessed in Germany. So we're looking ahead at how to best serve our company and the consumer in this new environment.

"The life market is also changing dramatically, similar to what's transpired in financial services in the U.S. and parts of Europe."

Korea: Life insurance launched in 1989

"They expect to break even next year and start making a profit. This will be cause for celebration because many of the companies in Korea are technically insolvent, and we'd definitely be moving away from the pack."

Canada: Also entering a new era

"Mike Haskell has just taken the helm as president of Canadian operations to help lead this competent company into a more profitable, greater growth phase."

Europe: Eyeing Spain and Italy

"We hope to be up and running in Spain sometime in 1998. We'll leverage what we've learned from the German operation in Spain, but acknowledge that we still have to do business like a Spanish company, not like a German one. So, there will be some subtle differences there.

"We're also already planning our entry into Italy, following closely after Spain."

Accounting for our international success

"The companies that have been in Europe have always been regulated, so they don't have the expertise we have because they haven't needed it. Now with deregulation, Allstate can take the information we've learned on driving behaviors and rating factors here in the U.S. and overlay it on foreign populations. That puts us ahead of the game.

"Learning flexibility and patience have also been key to Allstate's success.

"Our mentality has been, let's not let anything keep us from accomplishing the mission here. So we had to come back to the table several times and ask, how can we creatively address this situation? Learning to be sensitive to individual country-specific needs, to be adaptive and still get our objectives accomplished are the kinds of skills that we can now apply worldwide.

"In India, China, Southeast Asia and throughout Europe, business and government leaders want to know what we're going to add in terms of value to the environment and to the people we're going to be serving. Most of them are out and out surprised to see a socially responsible American company talk about balanced commitments to the consumer, to the employee and to the shareholder.

"Folks who are getting to know Allstate in other countries are really in awe of our capacity and our technology and the quality of our people. Worldwide, there's a strong desire for Allstate's presence.

"And that makes you feel great to be an Allstate employee." ■

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Sizing up the international market

- In 20 years, the top six economies in the world will be China, India, the U.S., Japan, a unified Korea, and Indonesia, according to a number of world economists.
- 70 percent of the insurance market is outside of the United States and growing at 14 percent a year, double the growth of the U.S. market.
- Currently, 80 percent of the world's property and casualty insurance is sold in seven markets: the U.S., Japan, Germany, Britain, France, Italy and Canada.
- Insurance sales in these countries are expected to double over the next 30 years.
- Beyond these seven industrial nations, there are more than 100 other insurance markets around the world, where nearly 90 percent of the world's population lives and over 30 percent of the world's goods and services are produced.