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## Japan Post Leads World's Insurers in Assets

By David Pilla

Japan Post Insurance Co. Ltd. again topped A.M. Best Co.'s list of the world's top 25 insurance companies as measured by non-banking assets.

The Japanese government-linked insurer had US\$1.09 trillion in assets in 2010, and although its assets slipped 5.26% from 2009, Japan Post still kept its top spot.

The only other Asia-Pacific insurer to make the top 10 on the assets list was Nippon Life Insurance Co. of Japan, which rose to ninth place from last year's 10th-place ranking. Nippon Life's 2010 assets rose 6.2% from the previous year, to \$527.1 billion.

A.M. Best also published a list of the top 25 insurers worldwide in net premiums written. Japan Post came in at No. 5 with nearly \$81 billion in net premiums, down 4.77% from the previous year. The insurer slipped from fourth place in 2009. China Life made a big gain, rising from 16th to 10th place as its net premiums rose 15.48% to \$52.87 billion. Japan's Nippon Life remained at No. 11, even as its net premiums fell 4.4% from 2009.

The rankings are based on BestLink data and additional research.

### World's Largest Insurers

#### Ranked by Non-Banking Assets

- 1 Japan Post Insurance Co. Ltd.
- 2 Axa S.A.
- 3 Allianz SE
- 4 MetLife Inc.
- 5 American International Group Inc.
- 6 Aviva plc
- 7 Assicurazioni Generali S.p.A.
- 8 Prudential Financial Inc.
- 9 Nippon Life Insurance Co.
- 10 Legal & General Group plc

#### Ranked by Net Premiums Written

- 1 Axa S.A.
- 2 Assicurazioni Generali S.p.A.
- 3 UnitedHealth Group Inc.
- 4 Allianz SE
- 5 Japan Post Insurance Co. Ltd.
- 6 National Mutual Insurance Federation of Agricultural Co-ops
- 7 Munich Reinsurance Co.
- 8 WellPoint Inc.
- 9 Aviva plc
- 10 China Life Insurance (Group) Co.

Source:  BestLink, A.M. Best research, 2010 data

Company capsules and charts detail financials for the largest insurers. [See Pages 4-6.](#)

### A Closer Look

## Cigna Sees Room in India's Medical Insurance Market

By Iris Lai

India's stand-alone medical insurance market is becoming attractive to foreign investment, with Cigna as the latest foreign entrant to explore the market's potential.



Medical is the fastest-growing insurance sector in India, with a projected compound annual growth rate of

30% over the next five years, said Mike Ross, senior vice president of marketing at Cigna International.

Cigna will form a joint venture with TTK Group, based in Chennai and Bangalore. TTK operates several businesses ranging from the sale of cookware to pharmaceuticals.

India has low health care penetration of less than 4%, and 64% of medical expenses are paid out of pocket,

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#### Regulation

3 Malaysia regulator lays out 10-year strategy.



#### Top Insurers

4-6 World's largest insurers ranked by assets, net premiums.



#### China

8 Ten years after joining WTO, China seeks expanded foreign participation in markets.



#### Catastrophes

9 Australia's natural catastrophes cost insurers A\$4.3 billion in 2011.



## ■ CIGNA

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about four times the global average, according to Ross.

The market is “big enough to accommodate perhaps several more specialist insurers” in India, said Rajagopalan Krishnamurthy, managing director of products, distribution and markets at Towers Watson, an international consultancy.

The gap between total health care expenses incurred by Indians and the amount covered by medical insurance is estimated “at a staggering US\$57 billion,” so “there is room for more newcomers with innovative solutions,” Krishnamurthy said.

Cigna is the first U.S.-based health care company to enter India’s stand-alone medical market. India has three stand-alone medical insurers that are licensed as general insurance companies under current regulation (*Best’s News Service, Nov. 22, 2011*).

Star Health & Allied Insurance was the first stand-alone medical insurer to underwrite business exclusively in health, personal accident and travel insurance. Star Health is jointly owned by Oman Insurance Co. and ETA Ascon Group from the Middle East and other individual insurance investors from India.

Max Bupa Health Insurance is 74% owned by Max India, a conglomerate with businesses in life insurance and health services. U.K.-based Bupa holds a 26% stake in the joint venture. Max New York Life Insurance is Max India’s life joint venture with New York Life.

Apollo Munich Health Insurance is a joint venture between German reinsurer Munich Re and Apollo Hospitals Group.

In the first half of the 2011 fiscal year ending in September 2011, Star Health, Apollo Munich and Max Bupa reported gross written premiums of 6 billion rupees (US\$114 million), 1.6 billion rupees and 466 million rupees, respectively, according to the Insurance Regulatory and Development Authority.

Current market conditions are favorable for medical insurers that have the capability to deliver health solutions with high-quality service. Krishnamurthy said these specialized insurers attract large employer groups and high- to middle-income individuals. India sees a growing

market for wellness-oriented health plans that offer a niche opportunity for medical insurers.

A key strategic focus is to serve special needs with relevant solutions, said Krishnamurthy. Growing demand from expatriates, high-income groups, multinational corporations, Indian international executives and travelers are boosting market development.

Health insurance premiums rose to 114 billion rupees in the first half this year, from 22 billion rupees five years ago. The industry aims to achieve total premium of 700 billion rupees by 2020, said Krishnamurthy.

“India’s health care spending is expected to grow significantly over the next decade, giving rise to interest in leveraging successful health management programs and

systems,” said Ross. Consumers are seeking “affordable and differentiated” health insurance solutions, given the 10% annual growth of the middle class.

Krishnamurthy said the key challenges include increasing medical cost, double-digit inflation in medical expenses, lack of standardization and transparency in payment settlement and logistic issues in covering the diverse market conditions.

Diverse development of products to appeal to the mass market and robust multichannel distribution are some concerns for insurers in medical business development, noted Krishnamurthy.

Cigna had entered India in the late 1990s with a general insurance license to write multiline property/casualty business. When Cigna sold this business to Ace Ltd. in 1999, the company stopped operating in India.

Participating in the market now as a specialized health insurer, Ross said “the time is right for Cigna to enter India based on demographics, business and marketplace conditions.” Cigna sees this entry as “a source of competitive advantage,” given with the company’s global health care experience and TTK’s partnership.

“Cigna has been evaluating the market in India for a long while and was searching for an appropriate joint venture partner there that, importantly, shared the same values and vision,” said Ross.

Currently, India law limits foreign companies to own more than a 26% stake in insurance businesses.

“India’s health care spending is expected to grow significantly over the next decade, giving rise to interest in leveraging successful health management programs and systems.”

**Mike Ross,** senior vice president of marketing at Cigna International



The market is “big enough to accommodate perhaps several more specialist insurers” in India ... so “there is room for more newcomers with innovative solutions.”

**Rajagopalan Krishnamurthy,** managing director of products, distribution and markets at Towers Watson



# Malaysia Regulator Lays Out 10-Year Strategy

Developing a more comprehensive regulatory framework for the financial services sector will be one focus for Malaysia's blueprint strategy in the next 10 years, according to Bank Negara Malaysia, the country's central bank and financial services regulator.

"Focus will be accorded towards enhancing capital and liquidity standards of financial institutions in line with international standards as well as raising their governance and risk management standards," said Bank Negara in its blueprint report. There will be greater cross-border collaboration with other supervisory authorities as the financial sector evolves to be more regionally and internationally connected, the bank said.



Malaysia will continue to enhance its position as an international Islamic financial center with more diverse development of financial instruments and operations. In strengthening the legal and Shariah (Islam-compliant) frameworks, Bank Negara said "a single legislated body to be the apex authority on Shariah matters in Islamic finance will be established."

Insurance and takaful companies are encouraged

to promote "high-quality and innovative" retail financial products and services as consumers become more "varied and sophisticated" with rising affluence, according to Bank Negara. More comprehensive and sophisticated wealth management product offerings will be promoted.

"To spur greater innovation and raise the level of financial services quality, greater competition will be encouraged through the progressive liberalization of delivery channels and a more facilitative regulatory environment," said Bank Negara.

Building up domestic foreign exchange and money markets and ensuring sound risk management and corporate governance practices will be a priority as well. Foreign exchange administration rules "will be progressively liberalized to further raise efficiency in financial market transactions," said Bank Negara.

The regulator also aims to boost the private pension sector for retirement and long-term care protection. "Institutional capacities will need to be enhanced to offer the range of medical and health insurance products and services, including long-term care and other forms of disability insurance, as well as products to encourage individual savings for long-term medical care," said Bank Negara.

—Iris Lai

## Everest Re: Thailand Flood Losses Could Reach \$125 M

Everest Re Group expects to see losses of between \$100 million and \$125 million on claims related to recent floods in Thailand, according to figures provided by the company. Those losses will come after reinstatement premiums and taxes are applied.

The company said the estimated losses "remain preliminary" and could be affected by ongoing uncertainties.

Between July and December, Thailand saw significant rainfall during monsoon season combined with the aftermath of three typhoons that resulted in widespread flooding across many provinces in Thailand.

"While water levels have begun to recede, the nature of this loss and the complexities surrounding the claim adjusting and settlement process lead to uncertainty when estimating the ultimate loss potential from this event. The company expects it will be several months before relative clarity emerges with respect to its ceding companies' underlying losses," Everest said in a statement.

Joseph V. Taranto, chairman and chief executive officer of Everest, said despite the losses, the company remains financially strong. "Beyond the financial impact, the events of this year have taken a significant toll on

human lives," Taranto said. "As an industry, we have borne the insurance risk, which is critical to rebuilding these economies. For 2011, Everest will have incurred significant catastrophe losses but the company's balance sheet remains strong and well positioned to capitalize on the opportunities for 2012."

The flooding in Thailand has affected a number of large international reinsurance companies.

—Jeff Jeffrey

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# Top Insurers Ranked by Assets, Net Premiums

## Aegon N.V.

**Chairman and Chief Executive:**  
Alex Wynaendts

Aegon is a public company specializing in life insurance, pensions and long-term savings and investment products. It has 28,000 employees serving 40 million clients in 20 countries.

[www.aegon.com](http://www.aegon.com)



**Wynaendts**

## Allianz Societas Europae

**Chairman and Chief Executive:**  
Michael Diekmann  
Allianz is a public company specializing in property/casualty and life/health insurance, asset management and banking. It has approximately 151,000 employees serving more than 76 million clients in about 70 countries.

**Rating:** A.M. Best currently rates the financial strength of most of Allianz's operating companies A+ (Superior).

[www.allianz.com](http://www.allianz.com)



**Diekmann**

## American International Group Inc.

**Chairman and Chief Executive:**  
Robert H. Benmosche

AIG is a public company specializing in life and property/casualty insurance and retirement services. It has operations in more than 130 countries and jurisdictions.

**Rating:** A.M. Best currently rates the financial strength of AIG's operating companies A (Excellent).

[www.aig.com](http://www.aig.com)



**Benmosche**

## Assicurazioni Generali S.p.A.

**Chairman:** Gabriele Galateri di Genola

Generali is a public company specializing in life and property/casualty insurance, along with medical covers, pension services and asset management. It serves 70 million clients in over 60 countries.

**Rating:** A.M. Best currently rates the financial strength of Generali's operating companies A- (Excellent).

[www.generali.com](http://www.generali.com)



**di Genola**

## Aviva plc

**Chief Executive:** Andrew Moss

Aviva is a public company specializing in long-term savings, fund management and general insurance. It has approximately 36,000 employees serving 44.5 million clients worldwide.

**Rating:** A.M. Best currently rates the financial strength of Aviva's operating companies A (Excellent).

[www.aviva.com](http://www.aviva.com)



**Moss**

## AXA S.A.

**Chairman and Chief Executive:** Henri de Castries

AXA is a public company specializing in insurance and asset management. It has 214,000 employees serving 95 million clients in 61 countries.

**Rating:** A.M. Best currently rates the financial strength of most of AXA's operating companies A+ (Superior).

[www.axa.com](http://www.axa.com)



**de Castries**

## World's Largest Insurers

Ranked by Non-Banking Assets

AMB Company Name	Country of Domicile	2010 Total Non-Banking Assets USD (000)	% Change*
1 Japan Post Insurance Co. Ltd.	Japan	1,089,463,948	-5.26
2 Axa S.A.	France	920,476,513	3.27
3 Allianz SE	Germany	807,486,736	8.23
4 MetLife Inc.	US	730,906,000	35.53
5 American International Group Inc.	US	683,443,000	-19.37
6 Aviva plc	UK	572,208,859	4.45
7 Assicurazioni Generali S.p.A.	Italy	559,858,937	-0.33
8 Prudential Financial Inc.	US	539,854,000	12.42
9 Nippon Life Insurance Co.	Japan	527,095,201	6.20
10 Legal & General Group plc	UK	501,063,918	9.03
11 National Mut Ins Fed of Agricultural Co-ops	Japan	488,175,304	3.30
12 Aegon N.V.	Netherlands	440,401,166	11.27
13 ING Groep N.V.	Netherlands	431,859,607	12.25
14 CNP Assurances	France	423,490,868	5.88
15 Manulife Financial Corp.	Canada	417,770,773	5.07
16 Prudential plc	UK	403,492,963	14.51
17 Zurich Financial Services Ltd.	Switzerland	375,661,000	1.75
18 Berkshire Hathaway Inc.	US	372,229,000	25.28
19 Dai-ichi Life Insurance Co. Ltd.	Japan	346,404,836	5.45
20 Hartford Financial Services Group Inc.	US	318,346,000	3.45
21 Munich Reinsurance Co.	Germany	313,245,257	5.79
22 Predica-Prevoyance Dialogue du Credit	France	300,629,986	6.79
23 Meiji Yasuda Life Insurance Co.	Japan	270,676,742	4.64
24 China Life Insurance (Group) Co.	China	269,422,274	14.24
25 Life Insurance Corporation of India	India	253,156,543	32.35

\*Percent change is based upon local currency  
Source: BestLink, A.M. Best research

## Berkshire Hathaway Inc.

**Chairman and Chief Executive:** Warren E. Buffett

Berkshire Hathaway is a public company with property/casualty insurance and reinsurance operations.

**Rating:** A.M. Best currently rates the financial strength of most of Berkshire Hathaway's operating companies A++ (Superior).

[www.berkshirehathaway.com](http://www.berkshirehathaway.com)



**Buffett**

## China Life Insurance (Group) Co.

**President:** Yuan Li

China Life is a public company specializing in life and property/casualty insurance and asset management. The company and its subsidiaries constitute the largest commercial insurance group in Mainland China.

[www.chinalife.com.cn](http://www.chinalife.com.cn)



**Li**

## CNP Assurances

**Chief Executive:** Gilles Benoist

CNP Assurances is a public company specializing in personal lines insurance. It has 24 million clients and operations in France, the rest of Europe and South America.

[www.cnp.fr](http://www.cnp.fr)




**Benoist**

**World's Largest Insurers**

Ranked by Net Premiums Written

AMB Company Name	Country of Domicile	2010 Net Premiums Written USD (000)	% Change*
1 Axa S.A.	France	107,912,553	0.20
2 Assicurazioni Generali S.p.A.	Italy	87,166,306	2.87
3 UnitedHealth Group Inc.**	US	85,405,000	7.68
4 Allianz SE	Germany	84,433,538	6.25
5 Japan Post Insurance Co. Ltd.	Japan	80,985,521	-4.77
6 National Mut Ins Fed of Agricultural Co-ops	Japan	63,643,779	2.08
7 Munich Reinsurance Co.	Germany	57,841,393	9.78
8 WellPoint Inc.	US	54,109,700	-2.51
9 Aviva plc	UK	53,237,258	7.15
10 China Life Insurance (Group) Co.	China	52,873,923	15.48
11 Nippon Life Insurance Co.	Japan	52,182,307	-4.40
12 State Farm Group***	US	55,296,111	2.32
13 American International Group Inc.	US	46,227,000	-5.34
14 Kaiser Foundation Group of Health Plans****	US	45,025,113	-5.59
15 Zurich Financial Services Ltd.	Switzerland	44,282,000	-7.69
16 CNP Assurances	France	41,655,504	-0.46
17 Life Insurance Corporation of India	India	41,326,070	18.32
18 Dai-ichi Life Insurance Co. Ltd.	Japan	39,968,955	12.47
19 Prudential plc	UK	37,456,838	21.20
20 Meiji Yasuda Life Insurance Co.	Japan	35,630,231	21.97
21 ING Groep N.V.	Netherlands	34,247,077	-9.50
22 Sumitomo Life Insurance Co.	Japan	33,369,596	20.30
23 Humana Inc.**	US	32,712,323	9.31
24 Berkshire Hathaway Inc.	US	30,916,000	10.88
25 Tokio Marine Holdings Inc.	Japan	29,755,691	-4.26

\* Percent change is based upon local currency  
 \*\* Premiums shown are earned premiums  
 \*\*\* Premiums shown are for U.S. companies only  
 \*\*\*\* A. M. Best consolidation  
 Source:  BestLink, A.M. Best research

**Dai-ichi Life Insurance Co. Ltd.**

**President:** Koichiro Watanabe

Dai-ichi Life is a public company specializing in life insurance. It has approximately 57,000 employees and operations in Asia, Europe and North America.

[www.dai-ichi-life.co.jp](http://www.dai-ichi-life.co.jp)



**Watanabe**

**Hartford Financial Services Group Inc.**

**Chairman and Chief Executive:** Liam E. McGee

Hartford is a public company specializing in life, automobile, homeowners and business insurance, group and employee benefits, investment products, annuities, mutual funds and college savings plans.

**Rating:** A.M. Best currently rates the financial strength of Hartford's operating companies A (Excellent).

[www.thehartford.com](http://www.thehartford.com)



**McGee**

**Humana Inc.**

**Chairman and Chief Executive:** Michael B. McCallister  
 Humana is a public company specializing in health, dental, vision and life insurance in the United States.

**Rating:** A.M. Best currently rates the financial strength of most of Humana's operating companies A- (Excellent).

[www.humana.com](http://www.humana.com)



**McCallister**

**ING Groep N.V.**

**Chief Executive:** Jan Hommen

ING is a public company specializing in life and non-life insurance and asset management. It has approximately 107,000 employees and operates in Asia, Europe, Latin America and the United States.

**Rating:** A.M. Best currently rates the financial strength of two ING operating companies A (Excellent).

[www.ing.com](http://www.ing.com)



**Hommen**

**Japan Post Insurance Co. Ltd.**

**Chairman:** Josuke Shindo

Japan Post Insurance is a government-owned company specializing in life insurance, which it sells through its postal parent's post office locations in all of Japan's cities, towns and villages. The company has approximately 6,800 employees.

[www.jp-life.japanpost.jp](http://www.jp-life.japanpost.jp)

**Kaiser Foundation Group of Health Plans**

**Chairman and Chief Executive:** George C. Halvorson.

Kaiser is a not-for-profit company specializing in health insurance and health care. It operates in the United States in California, Colorado, Georgia, Hawaii, Maryland, Ohio, Oregon, Virginia, Washington and Washington D.C.

[www.kp.org](http://www.kp.org)

**Legal & General Group plc**

**Chief Executive:** Tim Breedon

Legal & General is a public company specializing in life and general insurance, pensions and investments. It serves over 7 million clients in the United Kingdom, United States and Europe.

**Rating:** A.M. Best currently rates the financial strength of an operating company of Legal & General A+ (Superior).

[www.legalandgeneralgroup.com](http://www.legalandgeneralgroup.com)



**Breedon**

**Life Insurance Corporation of India**

**Chairman:** D.K. Mehrotra

Life Insurance Corporation of India is a government-owned company specializing in individual life insurance, group insurance and pension plans. It is the largest life insurer in India and has operations in Asia, the Middle East and Europe.

[www.licindia.com](http://www.licindia.com)

**Manulife Financial Corp.**

**Chief Executive:** Donald A. Guloien

Manulife is a public company specializing in life and health insurance, long-term care services, pension products, annuities, mutual funds and banking products. It has more than 20,000 employees and operates in 21 countries and territories worldwide.

**Rating:** A.M. Best currently rates the financial strength of Manulife's operating companies A+ (Superior).

[www.manulife.com](http://www.manulife.com)



**Guloien**

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## ■ LARGEST INSURERS

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### Meiji Yasuda Life Insurance Co.

**Chairman:** Ken-Ichi Sekiguchi

Meiji Yasuda is a mutual company specializing in life insurance and asset management. It has operations in Japan, Asia, the United States and Europe.

**Rating:** A.M. Best currently rates the financial strength of Meiji Yasuda's operating companies A (Excellent).

[www.meijiyasuda.co.jp](http://www.meijiyasuda.co.jp)



**Sekiguchi**

### MetLife Inc.

**President and Chief Executive:** Steven A. Kandarian

MetLife is a public company specializing in life, nonmedical health and property/casualty insurance, annuities and employee benefit programs. It serves 90 million customers in over 50 countries.

**Rating:** A.M. Best currently rates the financial strength of most of MetLife's operating companies A+ (Superior).

[www.metlife.com](http://www.metlife.com)



**Kandarian**

### Munich Reinsurance Co.

**Chairman:** Nikolaus von Bomhard

Munich Re is a public company specializing in reinsurance, primary insurance and asset management. It has approximately 47,000 employees and operates in more than 30 countries.

**Rating:** A.M. Best currently rates the financial strength of Munich Re's operating companies A+ (Superior).

[www.munichre.com](http://www.munichre.com)



**von Bomhard**

### National Mutual Insurance Federation of Agricultural Cooperatives

**President:** Kazumi Imao

The National Mutual Insurance Federation of Agricultural Cooperatives, commonly known as "JA Kyosai," is Japan's national mutual aid association of agricultural cooperatives. The company provides property, liability and life insurance.

[www.ja-kyosai.or.jp](http://www.ja-kyosai.or.jp)

### Nippon Life Insurance Co.

**Chairman:** Kunie Okamoto

Nippon Life is a mutual company specializing in life insurance. It has operations in Japan, the United States and Asia.

**Rating:** A.M. Best currently rates the financial strength of Nippon Life's operating companies A+ (Superior).

[www.nissay.co.jp](http://www.nissay.co.jp)



**Okamoto**

### Predica-Prevoyance Dialogue du Credit

**Chairman:** Guy Chateau

Predica specializes in life insurance and is a leading life bancassurer in France. It has approximately 750 employees and 14.3 million policies. Its parent company, Credit Agricole Assurances, has operations in 19 countries.

[www.predica.fr](http://www.predica.fr)



**Chateau**

### Prudential Financial Inc.

**Chairman and Chief Executive:** John R. Strangfeld

Prudential is a public company specializing in life insurance, annuities, retirement-related services and investment management. It has approximately 41,000 employees in 38 countries and territories.

**Rating:** A.M. Best currently rates the financial strength of Prudential's operating companies A+ (Superior).

[www.prudential.com](http://www.prudential.com)



**Strangfeld**

### Prudential plc

**Chief Executive:** Tidjane Thiam

Prudential is a public company specializing in life insurance and asset management. It has 25 million customers in Asia, the United Kingdom and the United States.

**Rating:** A.M. Best currently rates the financial strength of Prudential's Jackson National subsidiaries A+ (Superior).

[www.prudential.co.uk](http://www.prudential.co.uk)



**Thiam**

### State Farm Group

**Chairman and Chief Executive:** Edward B. Rust Jr.

State Farm is a mutual company specializing in automobile, property and life insurance. It has approximately 66,000 employees and 80 million policies and accounts throughout the United States and Canada.

**Rating:** A.M. Best currently rates the financial strength of most of State Farm's operating companies A++ (Superior).

[www.statefarm.com](http://www.statefarm.com)



**Rust**

### Sumitomo Life Insurance Co.

**Chief Executive:** Yoshio Sato

Sumitomo Life specializes in life insurance, annuities and asset management. It has approximately 45,000 employees and operates in Asia.

[www.sumitomolife.co.jp](http://www.sumitomolife.co.jp)



**Sato**

### Tokio Marine Holdings Inc.

**President:** Shuzo Sumi

Tokio Marine Holdings is a public company specializing in life and nonlife insurance. It has operations in Asia, Europe and North America.

**Rating:** A.M. Best currently rates the financial strength of most of Tokio Marine's operating companies A++ (Superior).

[www.tokiomarinehd.com](http://www.tokiomarinehd.com)



**Sumi**

### UnitedHealth Group Inc.

**Chief Executive:** Stephen J. Hemsley

UnitedHealth is a public company specializing in health insurance and health care services. It serves more than 75 million individuals, employs approximately 87,000 people and operates in all 50 states and about 18 countries worldwide.

**Rating:** A.M. Best currently rates the financial strength of United Health's operating companies A (Excellent).

[www.unitedhealthgroup.com](http://www.unitedhealthgroup.com)



**Hemsley**

### WellPoint Inc.

**Chair and Chief Executive:** Angela F. Braly

WellPoint is a public company specializing in health insurance. It has 37,500 employees serving 34 million members in the United States.

**Rating:** A.M. Best currently rates the financial strength of most of WellPoint's operating companies A (Excellent).

[www.wellpoint.com](http://www.wellpoint.com)



**Braly**

### Zurich Financial Services Ltd.

**Chairman:** Manfred Gentz

Zurich is a public company specializing in general and life insurance. It has over 60,000 employees serving customers in more than 170 countries.

**Rating:** A.M. Best currently rates the financial strength of most of Zurich's operating companies A+ (Superior).

[www.zurich.com](http://www.zurich.com)



**Gentz**

# Regional Markets Hardened in Wake Of 2011's 10 Most-Costly Catastrophes

An unprecedented number of natural catastrophes rocked the insurance industry in 2011, with the top 10 costliest global catastrophes adding up to more than \$85 billion in estimated total losses for the year. The losses have created some hard markets in areas that have been most affected by catastrophes, particularly the Asia-Pacific Rim, Robert Hartwig, economist and president of the Insurance Information Institute, told *BestWeek*.

By far, the most costly was the Japanese earthquake and tsunami in March, but an earthquake also shook New Zealand, Thailand experienced flooding, Australia suffered a cyclone and flooding, tropical storms slammed the Mediterranean, and a hurricane, thunderstorms and tornadoes lashed the United States.

Before 2011, prices for global catastrophe reinsurance had been falling, but as of mid-2011 after the earthquake in New Zealand and earthquake and tsunami in Japan, there started to be an uptick, Hartwig said.

However, there's no dislocation in the market and no shortage of property/casualty reinsurance capacity, he said.

The bigger event for reinsurers was New Zealand, which experienced earthquakes in 2011 and 2010 and is heavily privately reinsured, said Bryon Ehrhart, chairman of Aon Benfield Analytics. Japan, on the other hand, is largely reinsured by the government.

Although prices are hardening, the rate increases and implications of all of these losses are muted by the fact that these are not peak zones for reinsurers, Ehrhart said. Reinsurers suffered losses for business that was written at extremely low rates online, and they were able to renew at significant increases.

Insurers in the United States and Western Europe already pay two to five times the margins of what Japanese and Australian insurers pay for reinsurance, he said.

## United States

In the United States, there have been wide-ranging disasters over an enormous geographic area. Insurers had seen the most expensive years for thunderstorm losses in 2008, 2009 and 2010, but 2011 blew those records away, Hartwig said.

Thunderstorms — which include tornadoes, hail, and straight-line winds — produced somewhere north of

insured losses in the \$50 billion range from 2008-2011, he said. That's similar to the cost of Hurricane Katrina, only spread out over the past four years.

The cost from those events has certainly impacted insurer earnings and is now beginning to be priced through for homeowners insurance, commercial property and reinsurance, he said.

In the United States, the property/casualty industry's net income fell steeply to \$12.8 billion for the first nine months of the year ended Sept. 30, 2011, down from the \$33 billion in net income reported during the same period in 2010, according to BestLink.

The outcome has been a firming of property/casualty reinsurance pricing and insurance property pricing in the United States, Hartwig said.

## Insurers React

Some insurers have commented that the losses are prompting them to increase rates. Columbia Insurance Group's Gary Thompson, who is poised to become the company's next president and chief executive officer in 2012, told *BestWeek* the company's catastrophe losses were two to two-and-a-half times what is usually expected and that the com-

pany was pursuing higher rates to offset the record cat losses (*Best's News Service, Dec. 27, 2011*).

And Marsh recently released a report that said nearly half of their U.S. property insurer clients raised rates at renewal during the second half of the year, compared with 31% during the first half of the year. Most were for programs that included catastrophe risks.

Lloyd's insurer Beazley plc said in November that catastrophes during the first quarter of 2011 brought a "hardening of premium rates in the reinsurance and property classes" and expected to gain from a 5% to 10% rate increase next year within Lloyd's.

In addition, a recent report by A.M. Best Co. said reinsurance capacity was "dampened" in 2011 and that "companies are managing capital to prepare for a potential hard market, but stopping short of committing to capital-raising initiatives." Peter Roeder, a member of Munich Re's board of management, told *BestWeek* that there doesn't seem to be a tightening trend in overall reinsurance capacity, although certain areas may have the conditions for it.

—Marie Suszynski

## Top 10 World Catastrophes: 2011 (\$ billion)

Event	Location	Insured Loss*
Earthquake, Tsunami	Japan	35.0
Earthquake	New Zealand	12.0
Flooding	Thailand	10.0
Tornadoes	U.S. South	7.3
Tornado	Joplin, Mo.	6.7
Hurricane Irene	United States	4.9
April Storms	United States	4.9
Flooding	Australia	2.3
Cyclone Yasi	Australia	1.2
Tropical Storm Rolf	Mediterranean	1.1

\*Estimated  
Source: Best's News Service reports

# Ten Years After WTO Accession, China Seeks Expanded Foreign Participation in Markets

The China Insurance Regulatory Commission said it expects the global financial environment “will be positive in the mid to long term,” and the domestic health insurance and pension markets will provide more opportunities to foreign insurers.

The Chinese insurance industry “will continue to open the market, protect the country’s financial security with risk prevention and encourage foreign insurers to introduce professional insurance institutions focusing on the health and pension markets, in addition to establishing branches in the central and western regions of China,” said the regulator.

The CIRC will seek to enhance its supervision to meet international standards and strengthen cross-border supervision cooperation with regional and global regulators.

China has been part of the World Trade Organization for a decade, and the CIRC said the domestic insurance industry was one of the “pioneer” industries to be opened to foreign participation. The regulator said the insurance market has achieved joint development between Chinese and foreign insurance companies.

According to the CIRC, the Chinese insurance industry has grown to “optimize its market resources allocation and strengthen its business sustainability” in the past 10 years, and the number of foreign players has increased continuously.

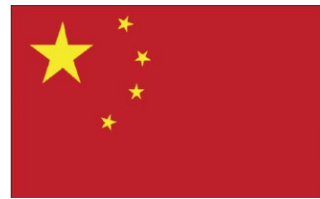
At the end of November 2011, there were 54 foreign insurers coming from 15 countries and regions in the market, that have set up nearly 1,300 branches and sub-branches in China. The shareholding system reform of state-owned insurance companies and their overseas listings have strengthened their capital and risk-resistance capabilities, as well as corporate governance, according to the CIRC.

The Chinese insurance industry has also increased its awareness of risk prevention and cooperation with international regulators, particularly after the global financial

crisis in 2008, said the CIRC.

The regulator said Chinese insurance companies have steadily implemented a “going global” strategy, which has helped them enhance their domestic and international competitiveness. Eight Chinese insurers have set up 27 operating units overseas, while six domestic insurers have established eight representative offices overseas.

Since 1980, the industry has gone through four development stages, according to the CIRC. The first stage was from 1980 to 1992, starting with the first foreign insurer to set up its representative office in 1980.



During the second stage, from 1992 until before China entered the WTO, the State Council chose Shanghai as its first pilot city to open the market, and American International Group’s AIA subsidiary

was the first foreign insurer to be allowed to set up a wholly owned subsidiary in the city in September 1992. During this period, total premium income for foreign insurers rose from 295,000 yuan (US\$46,182) in 1992 to 3.28 billion yuan in 2001.

The third stage began with China’s accession to the WTO at the end of 2001. At the end of 2004, there were 37 foreign insurers coming from 14 countries and regions in the Chinese insurance market, generating premium income of 9.8 billion yuan and accounting for 2.3% of the total premium income in China.

The fourth stage, beginning in 2005, saw a further opening of the insurance industry, although foreign partners were still not allowed to hold more than a 50% stake in their jointly developed local life insurers. Foreign nonlife insurers are also not allowed to operate regulated insurance.

—Rebecca Ng

## Swiss Re Invests in China’s Alltrust Insurance After Approval

Global reinsurer Swiss Re won regulatory approval to acquire 99 million shares, or a 5% stake in Alltrust Insurance Co. Ltd., a Shanghai-based nonlife insurer that has been permitted to issue additional 355 million ordinary shares. Swiss Re will be the second foreign shareholder of the Chinese primary insurer.

An attempt to reach Swiss Re for comment was unsuccessful.

Alltrust Insurance was established by a group of large Chinese power conglomerates and industrial groups, including five of China’s largest power groups, in September 2004. The insurer’s current regis-



tered capital is 1.625 billion yuan (US\$255 million), while its total accumulated claims payout is 5.13 billion yuan.

Following the issuance of additional ordinary shares, Alltrust Insurance’s Chinese power group shareholders will hold a combined 180.6 million shares, or 55.08% stake in the insurer. Other Chinese shareholders will hold around 75.4 million shares, or 23.5% stakes, according to the China Insurance Regulatory Commission.

The insurer is required to complete the additional capital injection process in two months, said the CIRC in a statement.

—Rebecca Ng

# Australia: Catastrophes Cost Insurers A\$4.3B

A series of natural catastrophes brought A\$4.35 billion (US\$4.4 billion) in claims for Australia's insurance industry in 2011, according to the Insurance Council of Australia.

The two biggest loss events were Queensland floods and Cyclone Yasi earlier this year, leading to A\$2.4 billion and A\$1.33 billion in claims, respectively. "Australia had been struck by several of the biggest catastrophes of recent times, and insurers had received nearly 190,000 claims," said Rob Whelan, chief executive of ICA.

Increasing natural catastrophe claims "will inevitably have an effect on insurance premiums in the future as companies adjust their pricing to take account of individual risk levels and increasing cost of reinsurance," said Whelan in a statement.

In addition to insurance solutions, Whelan said government supports are important to "improve land use planning and building codes, remove some of the cost impediments to taking out insurance and build physical barriers to protect those at risk."

This year's severe weather events were particularly prevalent, with Yasi, storms and floods in Queensland and Victoria adding to the cost of claims, said Ian Moyser, an insurance partner with consultancy KPMG, in its 2011 Australia general insurance survey. These events, along with earthquakes in New Zealand, significantly impacted gross losses, he said.

Moyser said reinsurance provided a significant contribution to nonlife insurers' results in the fiscal year ended June 30, 2011. "The scale of catastrophic losses was such that reinsurers have borne much of the cost, compared to years where the costs of a high frequency of smaller events are substantially borne by insurers," said KPMG in the survey.

The increased claims and reinsurance costs will lead to a rise in premiums, which are based on the risk being covered. "In a year of extreme losses, this will likely flow through to the pricing of risk and therefore the premium policyholders pay," said Moyser. Australia's nonlife sector saw a 6.7% rise in gross written premiums to A\$25.7 billion in the last fiscal year, according to KPMG. Underwriting surplus rose to A\$1.3 billion from A\$1.2 billion a year earlier and insurance margin stood at 14.6%, slightly up from 14.5% a year earlier.

Insurance premiums will face upward pressure in the coming year, partly due to claims inflation after major events. A bigger factor will be how global reinsurers re-evaluate the risks of Australia and New Zealand and how this is reflected in reinsurance costs, said Mike Wilkins, CEO and managing director of Insurance Australia Group, in a recent speech. "Skillfully managing these increased costs will be

## Australia: Final catastrophe figures for 2011

Catastrophe	Number of claims lodged	Total reserved value of claims
Queensland floods	58,463	\$2.4 billion
Cyclone Yasi	72,203	\$1.33 billion
Perth bushfires	410	\$35 million
Victorian floods	7952	\$122 million
Victorian severe storms	49,396	\$412.3 million
Margaret River bushfires	392	\$52.3 million
<b>TOTAL</b>	<b>188,816</b>	<b>\$4.35 billion</b>

Source: Insurance Council of Australia

an important competitive factor over the next one to two years," he added.

Australia's weather events were a significant contributor to global catastrophes losses, together with the earthquakes in New Zealand and Japan and floods in Thailand, said Whelan. These events are estimated to have cost the world economy about US\$350 billion.

These natural perils have challenged the assumptions used by insurers and reinsurers as they factor in extreme weather events for their product pricing and modeling of catastrophic losses, said consultancy PricewaterhouseCoopers in its 2011 insurance report.

—Iris Lai

## QBE Acquires Puerto Rico P/C Insurer Optima Insurance Group

Australian insurer and reinsurer QBE Insurance Group Ltd. said it has agreed to acquire Puerto Rico-based Optima Insurance Group. Optima, which focuses on small and midsize property/casualty commercial risks and personal lines, posted an estimated \$100 million in gross written premium in 2011, QBE said in a statement.

The transaction includes Optima Insurance Co., which offers property/casualty coverage; Colonial Insurance Agency, a managing general agent; and New Century Financial Corp., which provides premium financing for Optima and Colonial clients.



The deal is subject to regulatory approval by the insurance commissioner in Puerto Rico and is expected to be completed in March 2012.

The acquisition is in line with QBE's goals of growing its business through product and geographical diversification and new distribution channels, QBE Latin America Chief Executive Officer Jose Sojo said in a statement.

Acquisitions have contributed to QBE's earnings this year. During the first half of 2011, the company posted 30% growth in gross written premiums to US\$8.9 billion (*Best's News Service, Aug. 23, 2011*).

—Marie Suszynski

## Best's Underwriting Guide Snapshot: Electric Lamp Bulb Manufacturing



The making of ordinary light bulbs commonly includes the use of mercury, a highly toxic substance. This means significant environmental impairment liability exposure for a manufacturer. U.S. manufacturers are subject to the Environmental Protection Agency's Toxic Substances Control Act, and the underwriter should confirm that the manufacturer is in compliance. Ensuring that mercury is handled and contained properly is an important part of a loss control program. Brought to you by Best's Underwriting and Loss Control Center, [www.ambest.com/riskinfo](http://www.ambest.com/riskinfo).

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