

January 2, 2012 • Issue 1

MetLife Cracks Top 5 Of Largest Insurers

MetLife moved up the ranking of the world's largest insurers, making it and American International Group the only U.S. insurers to make the top five, based on assets. By premiums, UnitedHealth Group was the only U.S. insurer to rank among the top five.

Overseas insurers continued to dominate the ranking — by assets and by premiums written — with Japan Post Insurance Co. once again coming in at No. 1 by assets and Axa S.A. again topping the net premium written list.

MetLife, which clocked in at No. 7 last year, jumped to the fourth-largest insurer, based on assets of \$730.9 billion. Meanwhile, AIG slid from No. 3 to No. 5, with assets of \$683.4 billion.

MetLife's \$16.2 billion acquisition of American Life Insurance Co. from AIG last year expanded its international presence, especially in Japan

A.M. Best Research:

A&E Losses Up Nearly 50% For Second Straight Year

The U.S. property/casualty industry posted its second straight year of almost 50% increases in net asbestos and environmental losses in 2010, according to a new A.M. Best special report. This follows a 47% decrease in 2008 and several years of generally steady declines since 2002.

US A&E – Combined Ratio Impact (5-Yr Avg.)	
Commercial	0.9
Reinsurance	2.6
Personal	0.1
Total Industry	0.6

Source: A.M. Best Co.

Driven by American International Group's \$1.4 billion charge, the industry's aggregate funding for A&E liabilities increased by nearly \$4 billion in 2010.

World's Largest Insurers

Ranked by Non-Banking Assets	Ranked by Net Premiums Written
1 Japan Post Insurance Co. Ltd.	1 Axa S.A.
2 Axa S.A.	2 Assicurazioni Generali S.p.A.
3 Allianz SE	3 UnitedHealth Group Inc.
4 MetLife Inc.	4 Allianz SE
5 American International Group Inc.	5 Japan Post Insurance Co. Ltd.
6 Aviva plc	6 National Mutual Insurance Federation of Agricultural Co-ops
7 Assicurazioni Generali S.p.A.	7 Munich Reinsurance Co.
8 Prudential Financial Inc.	8 WellPoint Inc.
9 Nippon Life Insurance Co.	9 Aviva plc
10 Legal & General Group 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 8-10.

A.M. Best Research:

US P/C 9-Month Income Plummets on Cat Losses

The U.S. property/casualty industry's net income plunged to \$12.8 billion for the first nine months of 2011, down from \$33 billion a year prior, according to a new A.M. Best special report. High natural catastrophe losses, particularly in the first half, took a toll on insurers' bottom lines and significantly deteriorated the industry's underwriting performance.



Video:

Watch the interview with A.M. Best analyst Ed Keane at <http://www.bestweek.com/v.asp?v=Keane1212>.

■ For more on these two exclusive reports see Pages 6 and 7

Catastrophes

3 2011's cats have begun to harden the market.



Property/Casualty

4 Columbia Insurance's new CEO sees need for rate hikes.



Emerging Markets

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Ace Group Acquires Ecuador-Based Rio Guayas Compania for \$55 Million

The Ace Group has acquired Rio Guayas Compania de Seguros y Reaseguros for \$55 million in cash.

Rio Guayas is an Ecuador-based general insurance company owned by Banco de Guayaquil. Rio Guayas sells a range of insurance products, including motor, property, life, cargo, accident and health, casualty, marine and aviation, primarily through independent brokers and agencies and Banco de Guayaquil's branches. Rio Guayas is Ecuador's fourth largest nonlife insurer, according to Ace.

The acquisition will be accretive to Ace's earnings and book value per share, Ace said in a statement.

"Rio Guayas is very complementary to Ace's existing business in Ecuador and will expand our capabilities considerably in terms of geography, products and distribution," said Jorge Luis Cazar, regional president of Ace's Latin American operations, in a statement. "The addition of Rio Guayas will offer enhanced access to small- and middle-market businesses and individual consumers, will double our premium volume in Ecuador and will position Ace as one of the country's top general insurers."

Ace and its subsidiaries have made several acquisitions in recent months.



In February, Ace Ltd. completed its acquisition of New York Life Insurance Co.'s life operation in South Korea, the first of a two-part transaction, for \$75 million in cash (*Best's News Service, Feb. 2, 2011*).

Then in June, Ace Group subsidiary Ace INA International Holdings Ltd. acquired full ownership of its nonlife joint venture in Malaysia to strengthen its market position in the country.

The multiline insurance group said it paid \$39 million cash for all of the outstanding shares it does not already own, or approximately 49%, of Ace Synergy Insurance Bhd. in Malaysia from its partner Advance Synergy Capital Bhd.

Another subsidiary, Ace Life, moved its Asia-Pacific regional office to Hong Kong from Thailand to support the company's growing life insurance operations. The newly opened office will be led by Saloon Tham, regional president of Ace Life Asia Pacific.

Ace Group reported a \$31 million loss in third-quarter net income amid signs of favorable shifts in pricing and business volume across certain insurance segments. The loss compares with a \$675 million gain for the same period a year earlier.

—Jeff Jeffrey

W. R. Berkley Granted Reinsurance License in Argentina

W. R. Berkley Corp. said it received a reinsurance license to operate in Argentina through a new company, Berkley Argentina de Reaseguros.

Argentine insurance regulator SSN granted the approval.

Berkley has been operating in Argentina with a workers' compensation company and a property/casualty company since the mid-1990s, and has written reinsurance there through two companies, Berkley Insurance Co. and W. R. Berkley Insurance Europe Ltd., said Karen A. Horvath, vice president of external financial communications for W. R. Berkley.

Berkley applied to set up a new company to fit in under new regulations, she said.

"Under the new Argentine regime, either you have to become a branch there or set up a separate, locally authorized company, and that's the way we did it," said Ira Lederman, general counsel for W. R. Berkley Corp. "This will both enable us to reinsure third parties and to reinsure ourselves."

The company had a reinsurance license under Argentina's old regulatory structure, but needed permission to establish the new company to operate under the new regime, said Rajiv Raval, general counsel for Berkley Insurance Co.

"Primarily, it's a technical change, but an important one because it gives us the flexibility to serve the market in a

much better way," Lederman said.

The company intends to maintain the same level of staff in the country, he said.

Berkley Insurance Co. and W. R. Berkley Insurance Europe Ltd. are also expected to continue to write reinsurance in Argentina, but must do some extra filings under the new regulatory regime, Lederman said.

SSN now has two categories of reinsurance companies doing business in Argentina (*Best's News Service, June 30, 2011*).

The first category, "Local," is defined as those companies that incorporated under Argentine law, or those that are local branches or subsidiaries of foreign companies. Local companies are required to have a minimum capital of either AR\$20 million (US\$5 million) or 16% of net premiums in the previous 12 months, whichever is higher.

The second category, "Admitted," would include companies that provide coverage for "exceptional" risks that cannot be covered by the local market. Those companies would be required to register with the SSN and would have to obtain authorization from the insurance regulator prior to entering into the contracts.

—Meg Green



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 company 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

New Columbia Insurance CEO: Higher Rates Needed to Offset 2011 Catastrophe Losses

Gary Thompson, who is poised to become president and chief executive officer of Columbia Insurance Group at the new year, said the company is pursuing higher rates to offset its record catastrophe losses in 2011. Those losses culminated in a combined ratio of 124.4 at the end of September.

"The cat losses are two to two-and-a-half times what we expect in any normal year," Thompson said. "It's part of a trend we've seen in the last five years. We are seeing an increasing frequency and severity of natural catastrophe losses. Part of the response has to be reflected in the pricing of our product."

Columbia Insurance is a mutual commercial insurer that specializes in small- to mid-size businesses in the Midwest and Southern United States. The company has seen a record of about \$75 million in cat losses for 2011. The tornadoes that devastated Joplin, Mo. in May set a new record of \$25 million from a single catastrophe, Thompson said.

Also, the company was impacted by the new RMS RiskLink Version 11.0 U.S. Hurricane Model, which raised expected hurricane losses in some inland areas.

Columbia Insurance doesn't do much coastal business, but does write in coastal states. "Because of our exposure in those states, it has had a significant increase in our [probable maximum loss] for hurricanes, which is a driver of our catastrophe reinsurance costs," Thompson said.

The company's rate increases vary by line and by state, Thompson added, "but clearly we are seeing some property lines of business with double-digit rate increases."

About 75% of the group's book of business is commercial lines, Thompson said. "Our policyholders don't like rate increases, but they generally understand. It's not just losses to the Columbia Insurance Group. The market is responding to the loss trends, and so far, we are not seeing it impact our renewals," he said.

Thompson, who will take the position on Jan. 1, 2012, succeeds Robert J. Wagner, chairman and current CEO, who is retiring after more than 40 years with the company. Thompson joined Columbia in 1989 as vice president of reinsurance, and worked his way up to chief operating officer in 2002 before being named president and successor to Wagner in June 2009.

Wagner remains chairman through August 2012.

The 30-month transition period might be viewed as



Thompson

a lengthy succession plan, but Thompson said the company felt it was a good idea "given all the uncertainty in the world."

One bright spot Thompson sees is an improving economy.

"We see some businesses growing, some new businesses being started. Economic drivers are improving at a slow pace. We are encouraged by that," Thompson said.

The Columbia Insurance Group consists of five property/casualty insurance companies: Association Casualty Insurance Co., Citizens Mutual Insurance Co., Columbia Mutual Insurance Co., Columbia National Insurance Co., and Georgia Casualty & Surety Co.

The companies operate under an intercompany pooling agreement where all direct business written by the member companies is ceded to the lead member, Columbia Mutual Insurance Co., according to BestLink.

Commercial multiple-peril is the group's largest single line of business, followed by private passenger automobile, according to BestLink. The group also writes commercial auto, workers' compensation, homeowners and farmowners coverages.

Columbia Insurance Group Underwriting Results

Year	Net Underwriting	
	Income (\$ million)	Combined Ratio
2006	6.8	97.8
2007	-6.7	103.6
2008	-32.9	114.9
2009	-9.1	104.0
2010	-1.7	100.3

Source: BestLink

Columbia Insurance distributes its products through independent agencies in the group's 19-state operating territory. Missouri is the group's largest state with 21% of direct business, followed by Georgia (18%), Arkansas (14%), Kansas (11%) and Nebraska (10%) as of year-end 2010, according to BestLink.

Columbia's business concentration in the Midwest exposes its earnings to catastrophe losses stemming from wind, hail and tornadoes, as well as the earthquakes on the New Madrid fault line. The group has reported substantial underwriting losses over the previous five-year period ending 2010 as evidenced by its five-year average combined ratio, which at 104.1 is higher than the industry average for that period, 98.3, according to BestLink.

For the first nine months of 2011, the company's combined ratio was 124.4, up from 102.3 for the same period a year ago, according to BestLink.

Columbia Insurance Group currently has a Best's Financial Strength Rating of A- (Excellent).

—Meg Green

Australia-based 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.

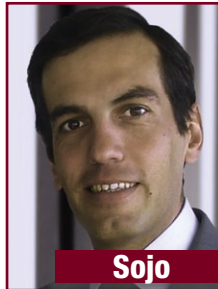
Optima, which focuses on small and midsize property/casualty commercial risks and personal lines, posted an estimated \$100 million in gross written premium in 2011, QBE said in a statement.

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,



Sojo

which was driven in part by acquisitions during the previous 12 months (*Best's News Service, Aug. 23, 2011*).

Acquiring Optima also complements QBE's business and strengthens its position in the region, the company said.

Optima concentrates on motor, casualty and property risks in Puerto Rico, according to BestLink. Most of the property exposures relate to standard fire and perils policies with coverage for natural catastrophes such as windstorm and earthquake.

"With this acquisition, we reinforce our strategy to keep growing in Latin America through acquisition of companies that produce solid underwriting profits," Sojo said.

Based in Sydney, Australia, QBE is one of the top 20 insurers and reinsurers in the world.

It does business in 52 countries and has a presence in every key insurance market, the company said.

Its Americas division in New York offers property/casualty insurance through subsidiaries in 10 countries and had \$5.2 billion in gross written premium in 2010.

The group's operations are divided into three principal regions: Australia/Asia-Pacific, Europe and the Americas.

—Marie Suszynski

MetLife to Sell Most of Its Bank Depository Business to GE Capital

GE Capital Financial Inc. will acquire most of the depository business of MetLife Inc.'s bank subsidiary.

Under the agreement signed by GE Capital and MetLife Bank N.A., GE Capital will buy about \$7.5 billion of the bank's deposits, including certificates of deposit and money market accounts. At Sept. 30, MetLife Bank had \$10.7 billion in deposits.

About \$3 billion in custodial deposits associated with MetLife's traditional mortgage business and certain other deposits are not included in the transaction. John Calagna, a spokesman for MetLife Inc., said GE Capital is buying most of the deposit business and the remaining deposits associated with the traditional mortgage business will be transferred out of MetLife Bank over the next six months.

The agreement "is a significant step toward MetLife's no longer being a bank holding company," said Steven A. Kandarian, president and chief executive officer of MetLife, the largest U.S. life insurer, in a statement.

Recently, the Financial Stability Oversight Council received comments from more than 80 interested parties on a proposed rule that would require supervision and regulation of certain non-bank financial companies

under the Dodd-Frank Act. The rule is designed to address how companies would be determined to be systemically important financial institutions. According to FSOC, those determinations would be based on material financial distress at the non-bank financial company, or the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of the non-bank financial company could pose a threat to the financial stability of the United States (*Best's News Service, Dec. 20, 2011*).

During MetLife's third-quarter earnings conference call, Kandarian said the FSOC "is going to be involved in determining whether you're a non-bank SIFI, but the regulation will be by the Fed going forward if you are designated as such... At this point, no one knows exactly who will be designated non-bank SIFI or if you are designated, what the rules will be. I suspect we won't know who's designated until sometime in 2012. ... We are discussing this issue at length with people in Washington and we are trying to make sure they understand the importance of a level of regulatory feel for our industry so that they don't simply pluck out a few companies and say you're a non-bank SIFI and everyone else is not."

—Fran Matso Lysiak



BEST'S SPECIAL REPORT

Our Insight, Your Advantage.

U.S. Asbestos & Environmental Liabilities

Market Review

December 19, 2011

Sector

Property/Casualty

U.S. Asbestos & Environmental – Combined Ratio Impact

		5-Yr Avg.	2010
Industry	Commercial	0.9	1.5
Segments	Reinsurance	2.6	2.9
	Personal	0.1	0.1
	Total Industry	0.6	0.8

Source: A.M. Best Co.

Additional Information

2011 Special Report:

U.S. Asbestos & Environmental Liabilities – Market Review

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Asbestos & Environmental Losses Up Nearly 50% for Second Straight Year

The U.S. property/casualty industry in 2010 posted its second straight year of nearly 50% increases in net asbestos and environmental (A&E) losses. This follows a 47% decrease in 2008. A.M. Best's view of ultimate industry A&E losses is \$117 billion.

- Aggregate industry funding for A&E liabilities increased by nearly \$4 billion in 2010, eclipsing the combined total for the past two years.
- Average mesothelioma claim values appear to be on the rise amid a shift from paying relatively small sums to a very large number of plaintiffs with no symptoms or malignancies.
- The past five-year average of overall loss activity remains at less than half that experienced during the previous five years (\$2.7 billion a year vs. \$6 billion a year).
- While total net A&E loss reserves remained virtually unchanged in 2010, net asbestos reserves inched up a mere 1%, and net environmental reserves dipped nearly 4%.
- The industry now has funded, through a combination of paid losses and loss reserves, nearly \$108 billion of its estimated ultimate net A&E exposures of \$117 billion, for a funding rate just over 92%.

U.S. Asbestos & Environmental – 3-Year Survival History (2006-2010)

(\$ in Billions)

	Asbestos			Environmental			
	Net Reserve	Net Paid	3-Year Survival Ratio ¹	Net Reserve	Net Paid	3-Year Survival Ratio ¹	
2006	\$25.9	\$2.9	9.0x	2006	\$7.3	\$1.1	6.4x
2007	25.6	2.8	9.5x	2007	7.1	1.0	6.4x
2008	23.8	3.2	8.1x	2008	6.3	1.1	6.0x
2009	23.3	2.4	8.3x	2009	5.9	0.9	6.2x
2010	23.5	2.7	8.5x	2010	5.7	1.0	5.8x

¹ Ending net reserves divided by three-year average of net payments.
Source: A.M. Best Co.

BEST'S SPECIAL REPORT

Our Insight, Your Advantage.

Excerpt: U.S. Property/Casualty

9-Month Financial Review

December 22, 2011

Sector

Property/Casualty

U.S. Property/Casualty – 9-Month Underwriting Trends (2010/2011)

Excludes mortgage and financial guaranty segments.

	Total U.S. P/C Industry	
	9 Mos. 2010	9 Mos. 2011
Change in Net Premiums Written (Yr/Yr %)	(0.5)	3.3
Change in Net Premiums Earned (Yr/Yr %)	(2.4)	2.7
Combined Ratio (Reported)	99.8	108.3
Less: Accident-Year Cat Losses (Points) ¹	5.1	12.0
Less: Asbestos & Env Losses (Points)	0.4	0.6
Combined Ratio (Normalized)	94.2	95.7
Accident-Year Combined Ratio (Reported)	103.8	111.5

¹A catastrophe is generally defined as an industry event that causes \$25 million or more in insured property losses. For U.S. reinsurers, catastrophe losses include losses outside of the United States.

Population reported as of Dec. 19, 2011.

Source: A.M. Best Co.

Additional Information

2011 Special Reports:

U.S. Property/Casualty – 6-Month Financial Review

U.S. Property/Casualty – 1st Quarter Financial Review

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U.S. P/C Net Income Plummets on Catastrophe Losses; NPW Increases

The U.S. property/casualty (P/C) industry's net income plunged to \$12.8 billion for the nine months ended Sept. 30, 2011, as higher catastrophe-related losses continued to take their toll on insurers' bottom line and significantly deteriorated the industry's underwriting performance.

As a result, the industry's statutory combined ratio in the first nine months of 2011 increased 8.5 points to 108.3 from 99.8 during the same period of 2010. The industry's investment performance was impacted by the low interest-rate environment, volatility in the equity markets and widening credit spreads through the first three quarters of the year.

In the first nine months of 2011:

- Net premiums written increased 3.3% to \$334.4 billion from \$323.6 billion through the same period in 2010.
- Total pretax accident-year catastrophe-related losses were an estimated \$38.6 billion, up from an estimated \$16.1 billion reported during the same period of 2010.
- The personal lines, commercial lines and U.S. reinsurance segments all reported rather significant underwriting losses and, as a result, the overall industry reported an underwriting loss of \$30.0 billion, compared with a \$2.0 billion underwriting loss for the same period of 2010.
- Net investment gains were essentially flat at \$41.8 billion.
- Policyholders' surplus decreased 3.1% to \$542.7 billion from \$560.1 billion posted at year-end 2010.
- Overall profitability measures declined significantly, with the industry's after-tax return on equity decreasing to 2.3%.

U.S. Property/Casualty – Quarterly Underwriting Results by Segment (9 Months 2011)

Excludes mortgage and financial guaranty segments.

	Combined Ratios				Net Premiums Written Year-Over-Year % Change			
	Q1	Q2	Q3	9 Months	Q1	Q2	Q3	9 Months
Personal Lines Segment	98.9	120.2	106.1	108.4	2.9	(0.4)	3.4	2.0
Commercial Lines Segment	102.6	113.9	107.1	107.9	3.4	4.6	5.0	4.3
U.S. Reinsurance Segment	132.4	104.3	93.5	109.7	11.5	3.2	11.6	8.9
Total Industry	102.3	116.8	105.8	108.3	3.7	1.8	4.5	3.3

Population reported as of Dec. 19, 2011.

Source: A.M. Best Co.

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



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



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



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



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



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



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



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



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




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



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



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



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



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

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

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



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

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



Guloien

■ See **LARGEST INSURERS**, Page 10

■ LARGEST INSURERS

From page 9

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



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



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



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

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



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



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



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



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



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



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



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



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



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



Gentz

Variable Annuity Writers Reduce Exposure; Canada Accounting Rules Impact US Sales

Amid 2011's sharply volatile equity markets, some U.S. variable annuity writers have cut policyholder benefits to reduce their own financial exposure or exited the market. Regulatory changes were cited by two Canadian writers, Sun Life Financial and Manulife Financial.

Sun Life cited "unfavorable product economics, which, due to ongoing shifts in capital markets and regulatory requirements, no longer enhance shareholder value" when it shut down sales of variable annuities and individual life insurance in the United States at the end of 2011.

Heightened equity market volatility and low interest rates negatively impacted Sun Life's results reported under the new Canadian version of the International Financial Reporting Standards, especially in its U.S. operations. In the third quarter, Sun Life recorded a loss of C\$621 million (US\$606 million). Sun Life is exposed to interest rate and equity markets mostly through its insurance and wealth management operations. With year-to-date sales of \$2.3 billion, Sun Life ranks 13th in U.S. sales of variable annuities, according to LIMRA and the Insured Retirement Institute/Morningstar.

Under the Canadian mark-to-market accounting regime, the future impact of equity market and interest rate levels measured at the close of the quarter are present valued and reflected in the current period income, A.M. Best said. (*Best's News Service, Nov. 28, 2011*).

In 2011, Canadian insurers could adopt the Canadian version of IFRS, according to Scott Hawkins, vice president at Conning Research. Under Canadian IFRS, equity market volatility and low interest rates have a greater impact on income statements than under U.S. GAAP, Hawkins said in an email.

"Accounting rule changes play a part of any strategic decision" but it's not the only factor, Hawkins said. For example, the ability to generate sufficient returns, or spreads, on fixed investments to support product pricing is a consideration.

Some variable annuity insurers are reducing guaranteed rates on guaranteed lifetime withdrawal benefit riders while others are developing new indexed annuities to broaden their portfolios, Hawkins said.

The top variable annuity sellers — MetLife, Prudential Financial and Jackson National — have reduced their rider benefits recently to slow sales and better manage risk, said Joseph Montminy, assistant vice president for annuity research at LIMRA. Also, asset transfer programs are being used with guaranteed living benefit riders, such as an automatic re-balancing program, to reallocate investments based on fluctuations in the market, Montminy said in an email.

Multinationals have already diversified from variable annuities, or are moving in that direction, Cary Lakenbach, president of Actuarial Strategies Inc., said in an email. The product that guarantees 5% in an environment when long rates are 3% "just does not make sense."

Consumers in many other countries are less risk adverse, and don't need guarantees, so consequently a certain amount of capital "goes much further than in the United States," Lakenbach said.

Canada's Manulife Financial Corp. reported a third-quarter net loss of C\$1.27 billion on "substantial declines" in equity markets and interest rates, and took a C\$900 million hit associated with hedging the guarantees on its variable annuities. Manulife operates in the United States through its Boston-based John Hancock Financial sub-

siary, the 18th largest U.S. variable annuities writer.

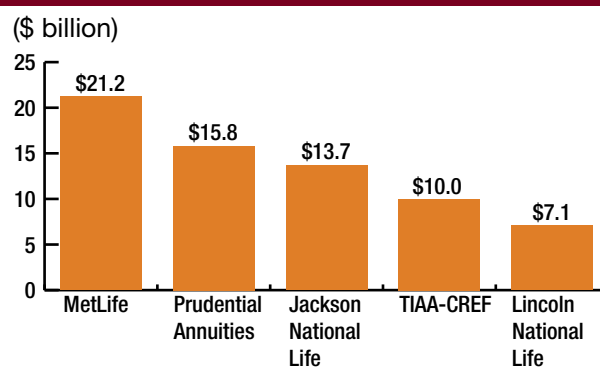
"Due to volatile equity markets and the historically low interest rate environment that is expected to continue for an extended period of time, John Hancock is restructuring its annuity business," said Beth McGoldrick, a spokeswoman for John Hancock, in an email. "Going forward, our current annuities will be sold only through a narrow group of key partners."

Canadian regulatory capital requirements are about twice the level of capital held by U.S. companies, Lakenbach said. "Considering hedging costs, the value of the product to the company is low," he said. Between fund fees and rider charges, the customer pays about 400 basis points, Lakenbach said.

Catherine Weatherford, president and chief executive officer of IRI, recently said during an A.M. Best webinar that IRI and Morningstar "are seeing a stabilization of the products."

—Fran Matso Lysiak

Top-5 Variable Annuity Writers*



*As of third-quarter 2011
 Note: A graphic on page 10 of the Dec. 19 edition of BestWeek stated the incorrect top writer of variable annuities. MetLife is the top writer.
 Source: LIMRA

Rating Actions

This edition lists all rating actions that occurred between Dec. 14 and Dec. 27, 2011.

All rating actions that have occurred during the past 21 days are available online free to *BestWeek* subscribers at www.bestweek.com.

For the rating of any company rated by A.M. Best Co. and basic company information free of charge, visit the A.M. Best website at www.ambest.com/ratings/access.html.

Operating Companies

Rating Action	Business Type	Company Name	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
U.S., CANADA AND BERMUDA LIFE AND HEALTH								
-	L	Alfa Life Insurance Corporation	006293	A a+	Stable Stable	A+ aa-	Negative Negative	Alabama
U	L	Allianz Life and Annuity Company	068026	A u a u	Negative Negative	A a	Stable Stable	Minnesota
U	L	Allianz Life Insurance Co of NA	006830	A u a+ u	Negative Negative	A a+	Stable Stable	Minnesota
U	L	Allianz Life Insurance Co of New York	009417	A u a+ u	Negative Negative	A a+	Stable Stable	New York
U	L	Aviva Life and Annuity Company	006199	A u a+ u	Negative Negative	A a+	Positive Positive	Iowa
U	L	Aviva Life and Annuity Company of NY	006467	A u a+ u	Negative Negative	A a+	Positive Positive	New York
U	L	AXA Corporate Solutions Life Reinsurance	009083	B++ u bbb u	Negative Negative	B++ bbb	Stable Stable	Delaware
U	L	AXA Equitable Life and Annuity Company	009516	A u a+ u	Negative Negative	A a+	Stable Stable	Colorado
U	L	AXA Equitable Life Insurance Company	006341	A+ u aa- u	Negative Negative	A+ aa-	Stable Stable	New York
Δ	L	Companion Life Insurance Company	006258	A+ aa-	Negative Negative	A+ aa-	Stable Stable	New York
U	L	First Reliance Standard Life Ins Co	009418	A u a u	Positive Positive	A a	Stable Stable	New York
-	L	Generali USA Life Reassurance Company	009189	A- a-	Stable Stable	A u a u	Negative Negative	Missouri
-	L	ING Life Insurance and Annuity Company	006895	A u a u	Negative Negative	A a+	Stable Negative	Connecticut
-	L	ING USA Annuity and Life Insurance Co	008388	A u a u	Negative Negative	A a+	Stable Negative	Iowa
U	L	MONY Life Insurance Company	006751	A+ u aa- u	Negative Negative	A+ aa-	Stable Stable	New York
U	L	MONY Life Insurance Company of America	008091	A+ u aa- u	Negative Negative	A+ aa-	Stable Stable	Arizona
Δ	H	Mutual of Omaha Insurance Company	007369	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Nebraska
Δ	L	National Security Insurance Company	006802	B bb+	Stable Stable	B bb+	Positive Positive	Alabama
+	L	Reassure America Life Insurance Company	007207	A+ aa-	Stable Stable	A a+	Positive Positive	Indiana
U	L	Reliance Standard Life Insurance Company	006990	A u a u	Positive Positive	A a	Stable Stable	Illinois
-	L	ReliaStar Life Insurance Co of NY	006157	A u a u	Negative Negative	A a+	Stable Negative	New York
-	L	ReliaStar Life Insurance Company	006846	A u a u	Negative Negative	A a+	Stable Negative	Minnesota
-	L	Security Life of Denver Insurance Co	007029	A u a u	Negative Negative	A a+	Stable Negative	Colorado
+	L	Swiss Re Life & Health America Inc	007283	A+ aa-	Stable Stable	A a+	Positive Positive	Connecticut
Δ	L	United of Omaha Life Insurance Company	007164	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Nebraska
Δ	L	United World Life Insurance Company	007528	A+ aa-	Negative Negative	A+ aa-	Stable Stable	Nebraska
U	L	US Financial Life Insurance Company	008492	A u a+ u	Negative Negative	A a+	Stable Stable	Ohio
U	H	Valley Baptist Insurance Company	064852	B u bb u	Positive Positive	B bb	Negative Negative	Texas

Rating Action: (+) Upgrade; (-) Downgrade; (New) Initial Rating; (u) Under Review; (Δ) Change in Outlook; (w) Rating Withdrawal; (●) Rating Affirmation.
Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Non-Life); L = Life; H = Health; T = Title; C = Composite.

Rating Action	Business Type	Company Name	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY								
-	P	AGCS Marine Insurance Company	002268	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	Illinois
-	P	Alfa Alliance Insurance Corporation	000954	A a+	Stable Negative	A+ aa-	Negative Negative	Virginia
-	P	Alfa General Insurance Corporation	001724	A a+	Stable Negative	A+ aa-	Negative Negative	Alabama
-	P	Alfa Insurance Corporation	002227	A a+	Stable Negative	A+ aa-	Negative Negative	Alabama
-	P	Alfa Insurance Group	000106	A a+	Stable Negative	A+ aa-	Negative Negative	Alabama
-	P	Alfa Mutual Fire Insurance Company	002006	A a+	Stable Negative	A+ aa-	Negative Negative	Alabama
-	P	Alfa Mutual General Insurance Company	003314	A a+	Stable Negative	A+ aa-	Negative Negative	Alabama
-	P	Alfa Mutual Insurance Company	002005	A a+	Stable Negative	A+ aa-	Negative Negative	Alabama
-	P	Alfa Specialty Insurance Corporation	012333	A a+	Stable Negative	A+ aa-	Negative Negative	Virginia
-	P	Alfa Vision Insurance Corp	010042	A a+	Stable Negative	A+ aa-	Negative Negative	Virginia
-	P	Allianz Global Corp & Spec North America	003887	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	California
-	P	Allianz Global Risks US Insurance Co	000407	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	California
-	P	Allianz Underwriters Insurance Company	002618	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	California
U	P	American Automobile Insurance Company	002176	A u a+ u	Negative Negative	A a+	Stable Stable	Missouri
NEW	P	American Capital Partners Re, Ltd.	091620	A- a-	Stable Stable			Bermuda
-	P	American Commerce Insurance Company	002065	A u a+ u	Negative Negative	A+ aa-	Negative Negative	Ohio
U	P	American Insurance Company	002177	A u a+ u	Negative Negative	A a+	Stable Stable	Ohio
W	P	American Millers Insurance Company	000131	NR NR		B++ bbb+	Stable Stable	Pennsylvania
U	P	American Standard Lloyds Insurance Co	003586	A u a+ u	Negative Negative	A a+	Stable Stable	Texas
U	P	Associated Indemnity Corporation	002178	A u a+ u	Negative Negative	A a+	Stable Stable	California
-	P	Austin Mutual Insurance Company	000182	B++ bbb	Negative Negative	A- a-	Negative Negative	Minnesota
U	P	Aviva Insurance Company of Canada	085748	A u a+ u	Negative Negative	A a+	Positive Positive	Ontario
U	P	AXA Art Insurance Corporation	010599	A u a+ u	Negative Negative	A a+	Stable Stable	New York
U	P	AXA Insurance Company	003718	A u a u	Negative Negative	A a	Stable Stable	New York
Δ	P	Chatauqua Patrons Insurance Company	010564	A- a-	Negative Negative	A- a-	Stable Stable	New York
U	P	Chicago Insurance Company	002266	A u a+ u	Negative Negative	A a+	Stable Stable	Illinois
-	P	Cincinnati Casualty Company	004289	A+ aa-	Stable Stable	A+ aa	Stable Stable	Ohio
-	P	Cincinnati Indemnity Company	010650	A+ aa-	Stable Stable	A+ aa	Stable Stable	Ohio
-	P	Cincinnati Insurance Companies	004294	A+ aa-	Stable Stable	A+ aa	Stable Stable	Ohio
-	P	Cincinnati Insurance Company	000258	A+ aa-	Stable Stable	A+ aa	Stable Stable	Ohio
-	P	Citation Insurance Company (MA)	002851	A u a+ u	Negative Negative	A+ aa-	Negative Negative	Massachusetts
W	P	Clarendon America Insurance Company*	001845	NR NR		B+ bbb-	Negative Negative	New Jersey
W	P	Clarendon Insurance Group	003041	NR NR		B+ bbb-	Negative Negative	New York

*Rating was downgraded to B+ / bbb- from A- u / a- u on December 27, 2011. Rating was withdrawn on December 27, 2011.

Rating Action: (+) Upgrade; (-) Downgrade; (**NEW**) Initial Rating; (**U**) Under Review; (**Δ**) Change in Outlook; (**W**) Rating Withdrawal; (**●**) Rating Affirmation.
Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Non-Life); L = Life; H = Health; T = Title; C = Composite.

Rating Action	Business Type	Company Name	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY (CONTINUED)								
W	P	Clarendon National Insurance Company*	001975	NR NR		B+ bbb-	Negative Negative	New Jersey
W	P	Clarendon Select Insurance Company*	010827	NR NR		B+ bbb-	Negative Negative	Florida
U	P	Coliseum Reinsurance Company	003811	B++ u bbb u	Negative Negative	B++ bbb	Stable Stable	Delaware
–	P	Commerce Insurance Company	004663	A u a+ u	Negative Negative	A+ aa-	Negative Negative	Massachusetts
U	P	Commerce Protective Insurance Company	011106	B u bb u	Developing Developing	B bb	Negative Negative	Pennsylvania
–	P	Commerce West Insurance Company	003131	A u a+ u	Negative Negative	A+ aa-	Negative Negative	California
U	P	Elite Insurance Company	085742	A u a+ u	Negative Negative	A a+	Positive Positive	Ontario
+	P	Esurance Insurance Company	002526	A+ aa-	Stable Stable	A- u a- u	Positive Positive	Wisconsin
●	P	Esurance Insurance Company of New Jersey	000466	A- a-	Stable Stable	A- u a- u	Positive Positive	Wisconsin
W	P	Esurance Insurance Group	018718	NR NR		A- u a- u	Positive Positive	Wisconsin
+	P	Esurance Property and Casualty Ins Co	000273	A+ aa-	Stable Stable	A- u a- u	Positive Positive	California
U	P	Euler Hermes American Credit Indem Co	002097	A+ u aa- u	Negative Negative	A+ aa-	Stable Stable	Maryland
●	P	Fidelity National Group	018606	A- a-	Stable Stable	A- u a- u	Negative Negative	Florida
●	P	Fidelity National Insurance Company	012478	A- a-	Stable Stable	A- u a- u	Negative Negative	California
●	P	Fidelity National Prop & Cas Ins Co	004496	A- a-	Stable Stable	A- u a- u	Negative Negative	New York
U	P	Fireman's Fund County Mutual Ins Co	003682	A u a+ u	Negative Negative	A a+	Stable Stable	Texas
U	P	Fireman's Fund Indemnity Corporation	001892	A u a+ u	Negative Negative	A a+	Stable Stable	New Jersey
U	P	Fireman's Fund Insurance Co of HI Inc	002717	A u a+ u	Negative Negative	A a+	Stable Stable	Hawaii
U	P	Fireman's Fund Insurance Companies	000034	A u a+ u	Negative Negative	A a+	Stable Stable	California
U	P	Fireman's Fund Insurance Company	002179	A u a+ u	Negative Negative	A a+	Stable Stable	California
U	P	Fireman's Fund Insurance Company of LA	002824	A u a+ u	Negative Negative	A a+	Stable Stable	Louisiana
U	P	Fireman's Fund Insurance Company of Ohio	002843	A u a+ u	Negative Negative	A a+	Stable Stable	Ohio
+	P	First Specialty Insurance Corporation	010783	A+ aa-	Stable Stable	A a+	Positive Positive	Missouri
–	P	Germania Farm Mutual Insurance Assn	003687	A- a-	Stable Stable	A a	Negative Negative	Texas
–	P	Germania Fire & Casualty Company	002779	A- a-	Stable Stable	A a	Negative Negative	Texas
–	P	Germania Insurance Company	003840	A- a-	Stable Stable	A a	Negative Negative	Texas
–	P	Germania Mutual Group	003876	A- a-	Stable Stable	A a	Negative Negative	Texas
–	P	Germania Select Insurance Company	012564	A- a-	Stable Stable	A a	Negative Negative	Texas
W	P	Harbor Specialty Insurance Company*	011783	NR NR		B+ bbb-	Negative Negative	New Jersey
U	P	Interstate Fire & Casualty Company	002267	A u a+ u	Negative Negative	A a+	Stable Stable	Illinois
–	P	MAPFRE Insurance Company of Florida	010805	A u a+ u	Negative Negative	A+ aa-	Negative Negative	Florida
U	P	MAPFRE Pan American Insurance Company	004290	A u a+ u	Negative Negative	A a+	Stable Stable	Puerto Rico
U	P	MAPFRE PRAICO Group	003866	A u a+ u	Negative Negative	A a+	Stable Stable	Puerto Rico

*Rating was downgraded to B+ / bbb- from A- u / a- u on December 27, 2011. Rating was withdrawn on December 27, 2011.

Rating Action: (+) Upgrade; (–) Downgrade; (**New**) Initial Rating; (**u**) Under Review; (Δ) Change in Outlook; (**w**) Rating Withdrawal; (**●**) Rating Affirmation.
Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** **P** = Property/Casualty (Non-Life); **L** = Life; **H** = Health; **T** = Title; **C** = Composite.

Rating Action	Business Type	Company Name	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/ Implications	FSR ICR	Outlook/ Implications	
U.S., CANADA AND BERMUDA PROPERTY/CASUALTY (CONTINUED)								
U	P	MAPFRE PRAICO Insurance Company	011116	A u a+ u	Negative Negative	A a+	Stable Stable	Puerto Rico
U	P	MAPFRE Preferred Risk Insurance Company	003649	A u a+ u	Negative Negative	A a+	Stable Stable	Puerto Rico
-	P	MAPFRE U.S.A. Group	002966	A u a+ u	Negative Negative	A+ aa-	Negative Negative	Massachusetts
Δ	P	Michigan Commercial Insurance Mutual	055021	B++ bbb	Negative Negative	B++ bbb	Stable Stable	Michigan
-	P	National Insurance Company	003106	F rs		E rs		Puerto Rico
U	P	National Surety Corporation	002182	A u a+ u	Negative Negative	A a+	Stable Stable	Illinois
NEW	P	Nations Insurance Company	013874	B bb+	Stable Stable	NR NR		California
+	P	North American Capacity Insurance Co	011135	A+ aa-	Stable Stable	A a+	Positive Positive	New Hampshire
+	P	North American Elite Insurance Company	010617	A+ aa-	Stable Stable	A a+	Positive Positive	New Hampshire
+	P	North American Specialty Insurance Co	001866	A+ aa-	Stable Stable	A a+	Positive Positive	New Hampshire
W	P	PEMCO Insurance Companies	000790	NR NR		A- a-	Stable Stable	Washington
W	P	PEMCO Insurance Company	003505	NR NR		A- a-	Stable Stable	Washington
+	P	Penn Millers Insurance Company	000762	A a+	Positive Positive	A- u a- u	Positive Positive	Pennsylvania
+	P	Penn Millers Insurance Group	000449	A a+	Positive Positive	A- u a- u	Positive Positive	Pennsylvania
U	P	Pilot Insurance Company	085779	A u a+ u	Negative Negative	A a+	Positive Positive	Ontario
W	P	Roche Surety and Casualty Inc	010707	NR NR		B++ bbb+	Stable Stable	Florida
U	P	S&Y Insurance Company	066504	A u a+ u	Negative Negative	A a+	Positive Positive	Ontario
U	P	Safety First Insurance Company	012476	A u a u	Positive Positive	A a	Stable Stable	Illinois
U	P	Safety National Casualty Corporation	000818	A u a u	Positive Positive	A a	Stable Stable	Missouri
U	P	Safety National Group	018564	A u a u	Positive Positive	A a	Stable Stable	Missouri
U	P	Scottish & York Insurance Company Ltd	085788	A u a+ u	Negative Negative	A a+	Positive Positive	Ontario
-	P	State-Wide Insurance Company	000869	A u a+ u	Negative Negative	A+ aa-	Negative Negative	New York
+	P	Swiss Reinsurance America Corporation	003263	A+ aa-	Stable Stable	A a+	Positive Positive	New York
U	P	Toa Reinsurance Company of America	001730	A+ u aa- u	Negative Negative	A+ aa-	Stable Stable	Delaware
U	P	Traders General Insurance Company	085795	A u a+ u	Negative Negative	A a+	Positive Positive	Ontario
+	P	Washington International Insurance Co	002695	A+ aa-	Stable Stable	A a+	Positive Positive	New Hampshire
NEW	P	West Virginia Mutual Insurance Company	013014	A- a-	Stable Stable	NR NR		West Virginia
+	P	Westport Insurance Corporation	000347	A+ aa-	Stable Stable	A a+	Positive Positive	Missouri
EUROPE, MIDDLE EAST AND AFRICA								
-	L	AachenMuenchener Lebensversicherung AG	085761	A u a u	Negative Negative	A+ u aa- u	Negative Negative	Germany
-	P	AachenMuenchener Versicherung AG	085302	A u a u	Negative Negative	A+ u aa- u	Negative Negative	Germany
-	P	Allianz Global Corporate & Specialty AG	087997	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	Germany
-	P	Allianz Global Corporate & Specialty FR	086992	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	France
-	P	Allianz IARD	085174	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	France
-	C	Allianz Insurance plc	086373	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	United Kingdom

Rating Action: (+) Upgrade; (-) Downgrade; (New) Initial Rating; (u) Under Review; (Δ) Change in Outlook; (w) Rating Withdrawal; ● Rating Affirmation.
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Rating Action	Business Type	Company Name	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/Implications	FSR ICR	Outlook/Implications	
EUROPE, MIDDLE EAST AND AFRICA (CONTINUED)								
-	L	Allianz Lebensversicherungs-Aktiengesell	085015	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	Germany
-	L	Allianz Private Krankenversicherungs-AG	085942	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	Germany
-	P	Allianz Risk Transfer AG	077703	A u a u	Negative Negative	A a+	Stable Stable	Switzerland
-	C	Allianz S.p.A.	085309	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	Italy
-	C	Allianz SE	085449	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	Germany
-	P	Allianz Versicherungs-Aktiengesellschaft	085473	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	Germany
-	C	Allianz Vie	085109	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	France
-	C	Assicurazioni Generali S.p.A.	085071	A u a u	Negative Negative	A+ u aa- u	Negative Negative	Italy
U	L	Aviva Annuity UK Limited	087492	A u a+ u	Negative Negative	A a+	Positive Positive	United Kingdom
U	P	Aviva Assurances	085256	A u a+ u	Negative Negative	A a+	Positive Positive	France
U	L	Aviva Epargne Retraite	089965	A u a+ u	Negative Negative	A a+	Positive Positive	France
NEW	C	Aviva Insurance Limited	078773	A u a+ u	Negative Negative	NR NR		United Kingdom
W	P	Aviva Insurance UK Limited	085250	NR NR		A a+	Positive Positive	United Kingdom
U	P	Aviva International Insurance Limited	085047	A u a+ u	Negative Negative	A a+	Positive Positive	United Kingdom
U	L	Aviva Life & Pensions UK Limited	086137	A u a+ u	Negative Negative	A a+	Positive Positive	United Kingdom
U	C	Aviva Vida y Pensiones SA de Seg y Reas	083198	A u a+ u	Negative Negative	A a+	Positive Positive	Spain
U	C	Aviva Vie	085552	A u a+ u	Negative Negative	A a+	Positive Positive	France
U	C	Caisse Centrale de Reassurance	085834	A++ u aa+ u	Negative Negative	A++ aa+	Stable Stable	France
-	L	Central Krankenversicherung AG	085303	A u a u	Negative Negative	A+ u aa- u	Negative Negative	Germany
-	L	COSMOS Lebensversicherungs-AG	085304	A u a u	Negative Negative	A+ u aa- u	Negative Negative	Germany
-	P	COSMOS Versicherung AG	085382	A u a u	Negative Negative	A+ u aa- u	Negative Negative	Germany
W	C	Delta Lloyd NV	087830	NR NR		A a+	Stable Stable	Netherlands
-	P	Euler Hermes Kreditvers	086531	A+ u aa- u	Negative Negative	A+ aa	Stable Stable	Germany
U	P	Eurofil	083038	A u a+ u	Negative Negative	A a+	Positive Positive	France
+	C	European Reinsurance Company of Zurich	085830	A+ aa-	Stable Stable	A a+	Positive Positive	Switzerland
-	C	Generali Deutschland Holding AG	084112	A u a u	Negative Negative	A+ u aa- u	Negative Negative	Germany
-	P	Generali Iard	084095	A u a u	Negative Negative	A+ u aa- u	Negative Negative	France
-	L	Generali Lebensversicherung AG	085074	A u a u	Negative Negative	A+ u aa- u	Negative Negative	Germany
-	P	Generali Versicherung AG	085076	A u a u	Negative Negative	A+ u aa- u	Negative Negative	Germany
-	C	Generali Vie	085695	A u a u	Negative Negative	A+ u aa- u	Negative Negative	France
-	C	MAPFRE RE, Compania de Reasegueros, S.A.	086277	A u a+ u	Negative Negative	A+ aa-	Negative Negative	Spain
+	P	OJSC Transsiberian Reinsurance Corp	078395	B bb+	Stable Stable	B bb	Stable Stable	Russia
+	C	Swiss Re Europe S.A.	086847	A+ aa-	Stable Stable	A a+	Positive Positive	Luxembourg
+	P	Swiss Re International SE	087600	A+ aa-	Stable Stable	A a+	Positive Positive	Luxembourg

Rating Action: (+) Upgrade; (-) Downgrade; (**NEW**) Initial Rating; (**U**) Under Review; (**A**) Change in Outlook; (**W**) Rating Withdrawal; (**●**) Rating Affirmation.
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Rating Action	Business Type	Company Name	AMB#	Current		Previous		Domicile
				FSR ICR	Outlook/Implications	FSR ICR	Outlook/Implications	
EUROPE, MIDDLE EAST AND AFRICA (CONTINUED)								
+	C	Swiss Reinsurance Company Limited	085009	A+ aa-	Stable Stable	A a+	Positive Positive	Switzerland
ASIA PACIFIC								
U	P	Labuan Reinsurance (L) Ltd	086913	A- u a- u	Negative Negative	A- a-	Stable Stable	Malaysia
U	C	The Toa Reinsurance Company, Limited	085179	A+ u aa- u	Negative Negative	A+ aa-	Stable Stable	Japan

Holding Companies

Rating Action	Company Name	AMB#	Current		Previous		Domicile
			FSR ICR	Outlook/Implications	FSR ICR	Outlook/Implications	
-	Allianz France S.A.	051226	a- u	Negative	a	Stable	France
-	Allianz of America Inc	050631	a- u	Negative	a	Stable	Delaware
NEW	AVIVA Italia Holding S.p.A.	083218	bbb+ u	Negative	NR		Italy
U	AVIVA plc	085909	a- u	Negative	a-	Positive	United Kingdom
W	Aviva USA Corporation	058145	NR		bbb+	Positive	Iowa
U	AXA Financial Inc	058039	a- u	Negative	a-	Stable	Delaware
-	Cincinnati Financial Corporation	058704	a-	Stable	a	Stable	Ohio
U	Delphi Financial Group Inc	058036	bbb u	Positive	bbb	Stable	Delaware
-	Generali France S.A.	083077	bbb u	Negative	a- u	Negative	France
-	MAPFRE U.S.A. Corp.	058350	bbb+ u	Negative	a-	Negative	Massachusetts
W	Penn Millers Holding Corporation	058171	NR		bbb+	Positive	Pennsylvania
Δ	Swiss Re America Holding Corporation	050445	a-	Stable	a-	Positive	Delaware
Δ	Swiss Re Solutions Holding Corp	058158	a-	Stable	a-	Positive	Kansas
W	United America Indemnity, Ltd.	059187	NR		bbb	Stable	Cayman Islands

Rating Action: (+) Upgrade; (-) Downgrade; (**New**) Initial Rating; (**u**) Under Review; (Δ) Change in Outlook; (**w**) Rating Withdrawal; (●) Rating Affirmation.
Outlook: Positive, Negative, Stable. **Implications:** Positive, Negative, Developing. **Business Type:** P = Property/Casualty (Non-Life); L = Life; H = Health; T = Title; C = Composite.

Starr Exec Sees Strong Growth Potential in Emerging Markets

As it sets out to grow its business in international markets, Starr Cos. is looking for countries with a vibrant population and an emerging middle class, according to Ed Navarro, the company's new head of international insurance operations.

For Starr Cos., that means Latin America and Asia are two very promising targets. They're similar in that they each have booming economies, an emerging middle class and a relatively young population, Navarro told *BestWeek*.

As people gain wealth and grow into the middle class, they need things they didn't need in the past — and that leads to insurance opportunities for companies like Starr.

"From our perspective, the international arena is where we see our growth," he said. "If you look at the economies in the emerging markets, double-digit growth is where they're at today and we expect to continue to see that in the future."

Starr is targeting small and medium business entrepre-

neurs in those countries with commercial, personal accident and health, general aviation, marine, property and infrastructure coverage, he said.

Although Latin America is a long way from Asia, you can draw parallels between the two, Navarro said. If you look at Brazil and Indonesia, both have economies that are flourishing, which is bringing a young, vibrant population into the middle class.

"They have all the right stuff socially and economically for our kind of business models," he said. "It makes sense for us because we know how to grow our business in emerging economies."

Starr has 14 offices across the globe and intends to grow substantially larger in the next three to five years.

Earlier this month, Starr announced it had formed a new global casualty insurance practice to provide underwriting to its general casualty insurance offerings (*Best's News Service, Dec. 5, 2011*).

—Marie Suszynski



Navarro

RATING ACTIONS OVERVIEW

Rating Definitions

A Best's Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.

A Best's Issuer Credit Rating is an independent opinion of an issuer/entity's ability to meet its ongoing senior financial obligations.

Rating Disclosures

The Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. The rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

The Issuer Credit Rating opinion addresses the relative credit risk of an issuer/entity. Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. This rating does not address any other risk, including, but not limited to, liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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Judge Approves \$450M AIG Workers' Comp Class-Action Settlement

Despite Liberty Mutual Group's opposition, a federal judge has approved a \$450 million class-action settlement with American International Group and a group of workers' compensation writers to resolve litigation involving AIG under-reporting workers' comp premiums.

"We are pleased with the court's decision and to have put this matter behind us," said Mark Herr, a spokesman for AIG, in an email.

"Liberty Mutual is disappointed — but not surprised — with the judge's order approving the settlement. Liberty Mutual will review the judge's final written order, and anticipates an appeal," said Richard Angevine, a spokesman for Liberty Mutual, in an email.

U.S. District Judge Robert W. Gettleman issued a three-page order approving the settlement.



"Finding that the settlement is fair, reasonable, and adequate, the court grants final approval of the settlement," the judge said in the order.

AIG and seven insurers supported the settlement. Those insurers are Ace Ina Holdings Inc., Auto-Owners Insurance Co., Companion Property & Casualty Insurance Co., First-comp Insurance Co., Hartford Financial Services Group Inc., Technology Insurance Co. and Travelers Indemnity Co.

Liberty Mutual Group's two subsidiaries, Ohio Casualty and Safeco, had opposed the settlement.

The legal dispute centers on allegations that AIG intentionally underestimated its workers' comp premiums to avoid premium taxes and substantial residual market charges before 1996. In some states, from the mid-1980s to the mid-1990s, the residual market losses were greater than the residual market and voluntary market premium combined, so the more voluntary premium a company wrote, the more it had to pay out to cover its share of the residual market losses. That gave companies an incentive to under-report workers' comp claims, according to court papers (*Best's News Service, Aug. 23, 2011*).

The settlement is based on the assumption that AIG under-reported its workers' comp premiums before 1996 by \$2.1 billion, the same amount that state regulators used to calculate a settlement in 2010. Liberty Mutual has maintained that \$2.1 billion estimate is too low.

In August, the U.S. Court of Appeals for the Seventh Circuit denied Liberty Mutual's request to appeal the proposed \$450 million settlement while the case is still ongoing. Liberty Mutual could still file an appeal and can still drop out of the settlement class.

—Meg Green

Merger Tracker**Brown & Brown Inc.**

Is acquiring
Arrowhead General Insurance Agency
Superholding Corp.
Price: \$395 million

Starr International Co. Inc.

Has acquired
Assist-Card International Holdings S.A.

Insurance Australia Group

Will acquire
AMI insurance business
Price: A\$288 million (US\$287.3 million)

Tokio Marine Holdings

Will acquire
Delphi Financial Group
Price: 200 billion yen (\$2.57 billion)

MEMIC

Will acquire
Granite Manufacturers Mutual Insurance Co.

Arthur J. Gallagher & Co.

Has acquired
Kahl Insurance Services LLC

WT Holdings Inc.

Will acquire
85% stake in Fidelity National Financial Inc.'s
personal lines business
Price: \$119 million

GE Capital Financial Inc.

Will acquire
Most of the depository business of MetLife Bank N.A.

Randall & Quilter Investment Holdings plc

Has acquired
The yacht and marine trades portfolio from
Underwriting Risk Services Ltd.

QBE Insurance Group Ltd.

Will acquire
Optima Insurance Group

Op-Pohjola osk

Will acquire
Skandia Life Finland

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Catastrophe Impact

Holborn Exec: 2012 Reinsurance Market Expected to be 'Brittle'

More can go wrong with the reinsurance market in the year ahead than can go well, in the opinion of Paul Kneuer, senior vice president and chief reinsurance strategist for reinsurance broker Holborn Corp. In a word, the market is "brittle," he said.

Reinsurers are coming off a difficult catastrophe year, and he expects the industry to post combined ratios of 105 to 110 for year-end 2011. That would be the industry's first underwriting loss since hurricanes Katrina, Rita and Wilma struck in 2005.

Eight of the 25 largest reinsured events have occurred in the past two years, Kneuer said. Those events are: the March earthquake and tsunami in Japan, the Chile quake, three New Zealand quakes, plus floods in Thailand and Queensland (Australia), and the Deepwater Horizon oil spill.

"We know reinsurers that have lost money five quarters in a row. Many have lost money, or underperformed, four quarters out of six, and three out of the last five years," Kneuer said. "I think that will translate into a new attention to discipline, re-underwriting, and getting away from areas where reinsurers feel the risk is too leveraged or just not quantifiable. We think there'll be changes in the market."

Prices are hardening in the United States, and in "cold spots" — areas that until 2010 had never really experienced large reinsurance losses, he said. "What is different, especially in these cold spots, is insurance is much more prevalent and reinsurance on that insurance is much more expansive," Kneuer said.

For example, 50 years ago, a severe earthquake hit Chile, and "there was no impact on the industry at all. Chile didn't have an advanced economy, it didn't have much insurance take-up, and what was there was not heavily reinsured," he said.

That's a big contrast from the 2010 Chile earthquake, which caused about \$14 billion in direct insured losses, including \$9 billion to \$12 billion in reinsured losses, according to Holborn's report, "The 2012 Reinsurance Market: Changing Tides."

With reinsured losses of up to \$12 billion, Holborn estimates the 2010 Chile quake is the fourth-largest reinsured event ever, behind the 2011 Japan quake (more than \$20 billion in reinsured losses); the Sept. 11, 2001, terrorist attacks (\$20 billion to \$25 billion in reinsured losses); and

Hurricane Katrina in 2005 (\$20 billion to \$24 billion in reinsured losses).

He said it's likely that reinsurers have not fully reported losses from the Japan quake, the New Zealand aftershock and the Thai floods yet.

Those big non-U.S. losses may not have a direct impact on U.S. reinsurance prices, Kneuer said. "It's not going to be that the hip bone is connected to the leg bone, and something that happened in Thailand therefore is going to impact Oldwick, [N.J.]" he said.

But while many of the largest catastrophe losses of 2011 happened outside of the United States, the United States saw a number of extensive tornadoes, wind and hailstorms. One U.S. event never made headlines, but resulted in \$1 billion in insured losses in the Midwest. "There were no tornado clouds, no hail, just 100 mph winds," Kneuer said.

Primary writers with losses big enough to trigger their reinsurance contracts in 2011 can expect to see higher reinsurance prices in 2012, he said. "Many contracts have had claims to their first or second layer of catastrophe protection. Contracts with losses will be paying quite a bit more," Kneuer said.

Changes in catastrophe models is another driver of the market, he noted.

Florida, a significant zone for reinsurers, saw price increases of 20% among some reinsurance layers in 2011, Kneuer said.

Florida is the single-largest commitment of reinsurance capacity for the industry, about \$80 billion, Kneuer said.

Other areas where capacity is stressed include the U.S. Northeast and Midwest; quake-prone Southern California and Tokyo; plus the United Kingdom, which has seen some significant windstorm activity in recent years, he said.

—Meg Green



Video:

Watch the interview with Holborn's Paul Kneuer at <http://www.bestweek.com/v.asp?v=Holburn1212>.

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