The Leaders Issue

Seven strategies insurers use to boost profits and stay ahead of the pack.

by Lori Chordas

Insurers were put to the test in 2011 with floods, tsunamis, earthquakes and other natural catastrophes around the world, along with historically low interest rates, increased regulatory pressures for adequate reserves and looming health care reform.

But that didn't stop some insurers from gaining a competitive edge and boosting profits. And the leaders at the helm of those companies each played a pivotal role in making that reality. This edition of *Best's Review* highlights the strategies of seven leading insurers and how they are playing out in the marketplace.

For carriers such as Australian-based QBE, capital grew as the company expanded its global footprint. Others, such as Hartford Financial Services, returned to their specialized roots. Another strategy expanded operations to increase revenue and market share.

That's the approach Nationwide took with its recent merger with Harleysville Insurance.

Raymond Thomson, a senior financial analyst with A.M. Best Co., said the merger not only benefits Nationwide due to Harleysville's greater presence in the Northeast and Mid-Atlantic states, but also gives it a strong base and "more varied distribution channels as it competes with other similar national carriers.

"The greater array of available products for cross-selling could lead to improved economies of scale and increasing market share by Nationwide in those geographic areas, potentially making Nationwide an even more formidable competitor in those areas as other national carriers also step up their efforts," he said.

Hartford Financial Services is switching from its multiline focus to become more specialized, while The Guardian Life Insurance Company of America is in the midst of refocusing one of its business sectors—the nonmedical market—to help stay ahead of the highly competitive market.

Today, life companies appear to be shifting gears, "steering away from capital-intensive products, executing opportunistic reinsurance transactions and reassessing long-term strategies," noted Andrew Edelsberg, vice president of life/health for A.M. Best Co.

"This has resulted in several companies curtailing sales of certain products, divesting noncore lines and/or entering new products or markets," he said.

On the health insurance side, health plans like WellPoint and its CEO, Angela Braly, have been gearing up for what's to come if health care reform swings into full implementation in the next two years.

What's the key to leading a company to successfully make those changes happen? "Standing up and doing the right thing for the organization and its stakeholders," Braly said during a 2009 speech at Marquette University.

"If you're going to ask your people to be change agents, you have to be one as well," she added. "You have to stand up and say 'I know I can do better and can change,' and then do it.

"As a leader you need to be sensitive, know your stuff, work hard and display courage," Braly noted. "But that is just the price of entry for leadership. To move a company forward and get it from where it is to where it needs to be, you have to live the change you want to see in your organization, doing it both openly and enthusiastically."

Presented in alphabetical order are seven insurers and their leaders who have made changes to boost profitability and stay ahead of the pack.

The Leaders Issue

Table of Contents

The Leaders Issue .... **Pgs. 16-24**

Top 200 U.S. Property/Casualty Writers..**Page 26**

Top 200 U.S. Life/Health Writers ....**Page 31**

Top 50 Global Reinsurers ....**Page 35**

Top 20 European Insurers ....**Page 37**

Top 75 North American Public Insurers Ranked by Assets ....**Page 38**

Top 75 North American Public Insurers Ranked by Revenue ....**Page 40**

Top 50 U.S. Holding Companies ....**Page 42**

Top Global Insurers ....**Page 44**

Top Global Insurance Brokers ....**Page 47**

Standing the Test of Time.........................**Page 51**

Near and Afar

Aflac's diverse distribution channels bring it success in the U.S. and Japan.

In the United States, Aflac has become the leading insurer in the individually issued voluntary benefits market, most often selling to smaller businesses. And with the 2009 addition of CAIC, now called Aflac Group Insurance, Aflac U.S. is making forays into the group insurance market as its traditional sales force embraces group products and the company pursues relationships with insurance brokers who typically sell to larger businesses.

The product portfolio for Aflac U.S. includes policies that provide protection against income loss and asset loss as well as the high cost of out-of-pocket medical expenses such as accident, critical illness, cancer, hospital intensive care, short-term disability, hospital indemnity, life and fixed-benefit dental and vision. This continuing diversification, according to an A.M. Best Co. report on the company, has reduced the group's reliance on its cancer product.

Aflac's quest to specialize in the voluntary market, however, doesn't just lie within U.S. borders. Three-quarters of the Columbus, Ga.-based carrier's earnings come from Japan, where it's the No. 1 life insurer in terms of individual policies in force, not to mention the fifth-most-profitable foreign company in any industry.

Despite increasing competition in the crowded Japanese market, Aflac also leads the way for cancer and stand-alone medical insurance sales. Aflac Japan continues to diversify its distribution system, broaden its product line and build upon its strong operational efficiency in an effort to retain its leading market position there. Today, nearly one out of every four Japanese households is insured by Aflac.

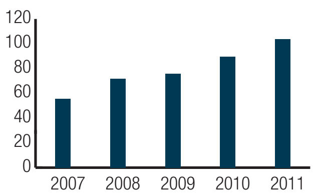
Aflac Chief Executive Officer and Chairman Daniel P. Amos believes the key to becoming a household name is finding the right niche and creatively thinking of new products and distribution that respond to the needs of distribution channels and consumers.

In Japan, Aflac recently restructured its product organization and systems to do just that. Along with its traditional agency-based distribution channels, the Japanese bank channel has been a significant driver for over-the-counter sales. As of March 31, more than 370 banks, or about 92% of Japan's banks, were selling those products.

Company Results

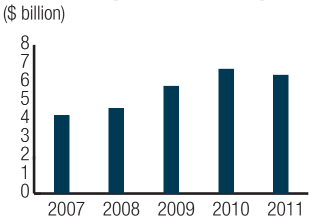
Total Admitted Assets

($ billion)



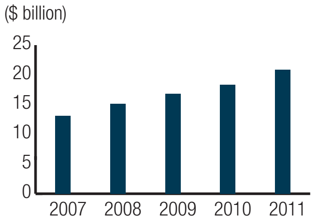
Total Capital & Surplus

($ billion)



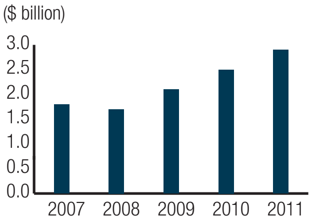
Total Net Premiums Written

($ billion)



Net Gain

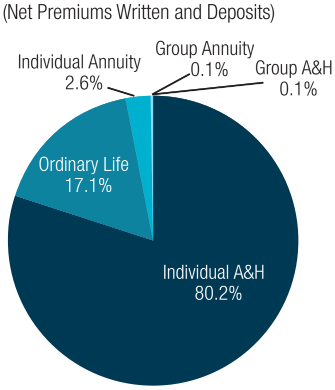
($ billion)



All charts source: BestLink® L/H Statement File

Top Lines of Business

(Net Premiums Written and Deposits)



The Basics

American Family Life Assurance Company of Columbus (Aflac)

A.M. Best Company # 006051

Chief Executive: Daniel P. Amos, chairman of the board and CEO

Headquarters: Columbus, Ga.

Parent: Aflac Inc.

A.M. Best Company # 058003

2011 Total Revenue: $22.2 billion*

* 2011 Annual Report

The Benefits of Refocusing

Guardian Life finds success in transitioning from the group medical to a multiproduct marketing approach.

The Guardian Life Insurance Company of America is refocusing one of its business sectors: the nonmedical market.

That market, which includes dental, vision, life and disability coverages, accounted for more than 95% of its group employee benefits 2010 new business sales and upward of 99% of 2011 group sales.

In 2011, the same year that Deanna Mulligan became CEO, Guardian announced plans to exit the group medical insurance market due to marketplace dynamics and the challenges of being a regional, niche player competing against large, national health plans. Guardian is now wrapping up the transition of its group preferred provider organization business to UnitedHealthcare.

Guardian Life slowly began pulling out of group medical in 1997; by 2000, it had exited about 20 states for that line of business.

In 2011, Guardian withdrew from another market when its wholly owned stock company subsidiary, Berkshire Life Insurance Company of America, halted sales of long-term care insurance to allow Guardian to focus on core life and disability income insurance.

Guardian recently strengthened its distribution, despite challenges in its primary markets, according to an A.M. Best Co. report. "The carrier has benefited from premium growth in its core individual life business, group nonmedical business lines and mutual fund business attributed to strength of its career agency and direct brokerage distribution channels."

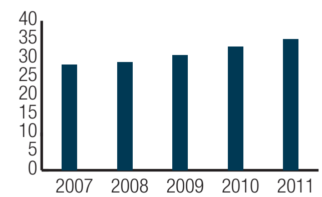
A.M. Best said Guardian's nonmedical product line focus largely comes from competitive pressures and the market-demand shift to managed care. The redirected focus allows it to take advantage of cross-selling opportunities. Thus far, those strategies have met with success, and the company has generated growth in sales and covered lives in the nonmedical lines.

Guardian believes its key to transitioning from medical to a multiproduct marketing approach has been training and enhanced administrative support provided by group sales reps.

Company Results

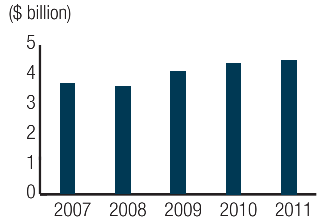
Total Admitted Assets

($ billion)



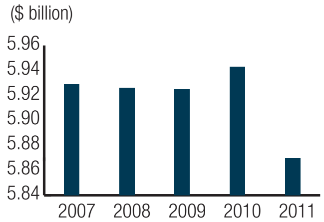
Total Capital & Surplus

($ billion)



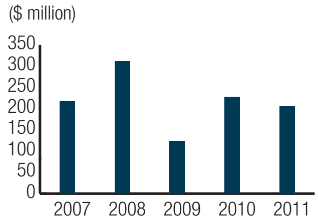
Total Net Premiums Written

($ billion)



Net Gain

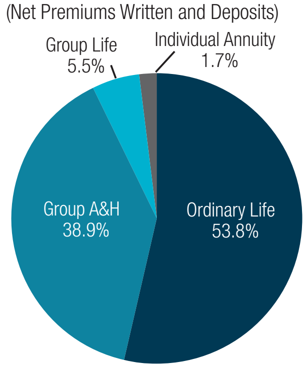
($ million)



All charts source: BestLink® L/H Statement File

Top Lines of Business

(Net Premiums Written and Deposits)



The Basics

Guardian Life Insurance Company of America

A.M. Best Company # 006508

Chief Executive: Deanna Mulligan, CEO

Headquarters: New York

2011 Assets: $35 billion

Specialty Zone

Hartford is operating with a sharper focus, concentrating on products that take insurance risk rather than market risk.

Hartford Financial Services is joining the ranks of carriers moving past their multiline focus to become more specialized.

The company will concentrate the allocation of capital to businesses that take insurance risk and reduce the allocation of businesses that take market risk, said Liam E. McGee, Hartford Financial's chairman, president and chief executive officer.

As a result, Hartford will focus on its property/casualty, group benefits and mutual funds businesses.

The company will place its U.S. individual annuity business into runoff and pursue "a sale or other strategic alternative" for its individual life insurance and retirement plans businesses and its broker-dealer subsidiary, Woodbury Financial.

While Gramm-Leach-Bliley was created in 1999 to facilitate a "financial supermarket" concept, many experts believe that approach never resonated well with consumers. In a research note, Jay Gelb, an equity analyst with Barclays, said the plan is an "acknowledgement that the U.S. multiline insurance business model faces challenges."

The decision to focus its business followed a push by hedge fund investor Paulson & Co. Inc. Until then, annuities accounted for the bulk of Hartford's earnings. Among other multilines that have chosen to separate P/C and life are Travelers, CNA, Lincoln, Aetna and Cigna, noted Paulson.

In late April, the company halted new sales of individual annuities and forged an agreement with Forethought, a Houston-based, privately held diversified financial services company, to purchase its individual annuity new business capabilities.

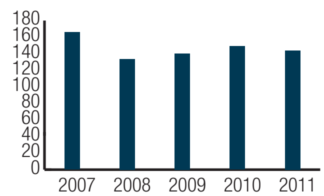
Earnings for Hartford's individual annuity business, in which the company once led the pack in sales, fell to $86 million in the 2011 fourth quarter, down from $96 million in the prior-year period.

The company isn't alone. Several big-name carriers, including ING and Sun Life Financial, also recently announced plans to exit the individual annuities market.

Company Results

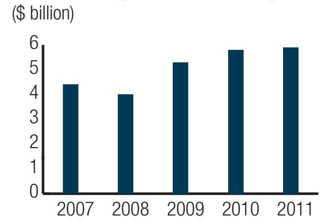
Total Admitted Assets

($ billion)



Total Capital & Surplus

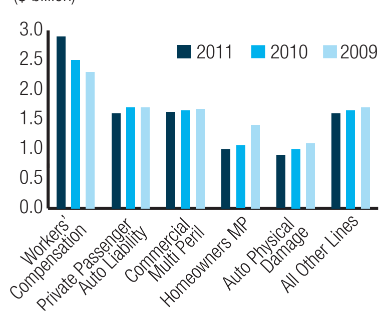
($ billion)



* Charts reflect data for Hartford Life Insurance Co.

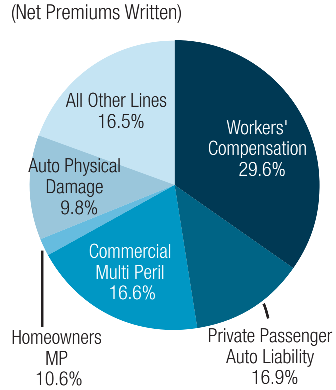
3-Year Net Premiums Trend Analysis

($ billion)



Top Lines of Business

(Net Premiums Written)



* Charts reflect data for Hartford Insurance Group.

All charts source: BestLink L/H and P/C Statement File

The Basics

Hartford Financial Services Group Inc.

A.M. Best Company # 058707

Chief Executive:

Liam E. McGee, chairman, president and CEO

Headquarters:

Hartford, Conn.

Capital Growth

Nationwide's merger with Harleysville expands its distribution network and ability to increase market share.

One of the largest U.S. multiline carriers and financial services organizations has expanded its operations to grow capital and market share, with a focus on commercial lines.

On May 1, Nationwide Mutual completed its previously announced agreement to combine with Pennsylvania-based Harleysville Insurance. Nationwide acquired all the outstanding, publicly-held common shares of Harleysville's publicly-traded subsidiary, Harleysville Group, for $60 per share. Nationwide paid $840 million cash in the deal, resulting in Harleysville becoming a wholly-owned subsidiary of Nationwide. Estimates put the combined organization at about $13.5 billion in surplus and more than $14.7 billion in annual direct written premiums.

Nationwide's quest to grow revenue sources and expand markets includes a continued focus on its exclusive and independent agencies, along with its financial services distribution channels. In 2008 and 2009, the company's surplus and risk-adjusted capitalization declined following severe weather-related losses, investment losses and the privatization of Nationwide Financial Services Inc. At the same time, excess capital remained strong enough to pursue the Harleysville transaction.

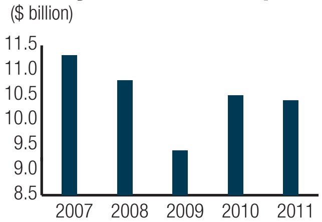
Harleysville, which distributes products through a network of about 1,300 independent agents primarily across 32 states, now joins Nationwide to become one of the largest national independent agency distributors in the country. The Harleysville brand, and its Maple Avenue headquarters, remain the same.

Nationwide CEO Stephen S. Rasmussen said the merger brings together "two best-in-class companies that share a mutual heritage and a focus on meeting the long-term needs" of its policyholders. "With Harleysville's expertise in commercial lines and complementary geographic distribution, there will be a substantial opportunity to increase market share, while also providing our combined agents and customers access to a broader portfolio of insurance, financial and banking products."

Company Results

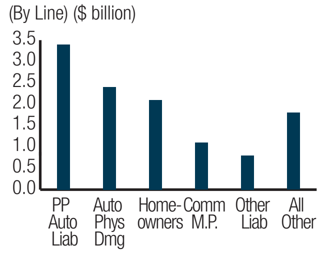
Policyholders' Surplus

($ billion)

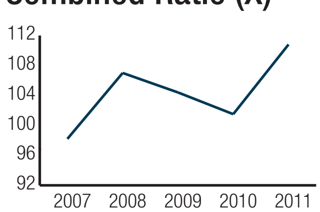


Net Premiums Written

(By Line) ($ billion)

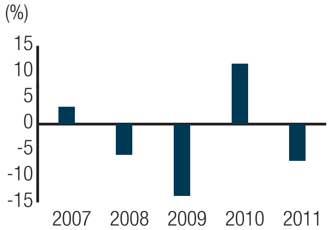


Combined Ratio (X)



Return on PHS (ROE)

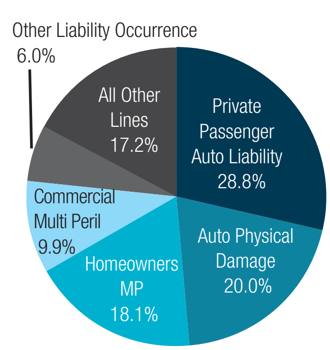
(%)



All charts source: BestLink L/H Statement File

Top Lines of Business

(Net Premiums Written)



The Basics

Nationwide Mutual Insurance Co.

A.M. Best Company # 002358

Chief Executive:
Stephen S. Rasmussen, CEO

Headquarters:
Columbus, Ohio

2011 Total Admitted Assets: $27.6 billion

Planting the Flag

QBE Insurance is expanding into the United Kingdom, United States and Latin America.

QBE Insurance Group Ltd. is expanding its global footprint. The acquisition strategy for the Australia-based insurer and reinsurer focuses on product diversification and geographic spread of risk, said CEO Frank O'Halloran, who has been leading the company since 1998.

QBE has acquired more than 135 companies since 1982. Two deals concluded last year include the Australian operations of CUNA Mutual and the insurance liabilities of Balboa Insurance Co.'s lender-placed insurance business from Bank of America.

Most recently, QBE announced the acquisition of Brit Insurance's U.K. regional business, in which it will obtain the insurer's renewal rights, operations and assets.

QBE underwrites commercial and personal lines business through operations in more than 50 countries. Its operations are divided into five principal regions: Australia, Asia Pacific, Europe, North America and Latin America.

Over the past five years, QBE increased its share of the burgeoning U.S. insurance market, principally due to its acquisition of Praetorian Financial Group, Winterthur's U.S. operations.

According to an A.M. Best Co. report on the company, subsequent purchases of insurers and managing general agents in the United States have provided the group with greater control of its distribution channels and enhanced its competitive position in the general property/casualty market.

QBE's Latin American division also is growing with recent purchases of Puerto Rico-based Optima Insurance Group and HSBC Argentina Holdings S.A.

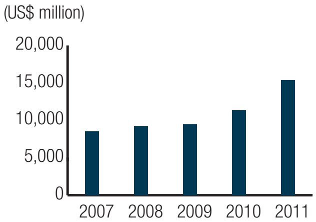
QBE's global expansion has contributed significantly to its recent earnings. The company posted 34% growth in gross written premiums to US$8.9 billion in 2011.

QBE is in the midst of purchasing "comprehensive reinsurance programs" through 2013. QBE plans to combine its worldwide reinsurance operations under a single management team and unified brand, QBE Re.

Company Results

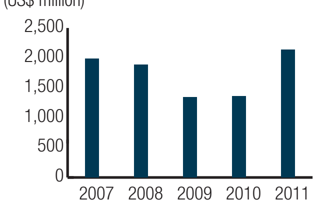
Net Earned Premium

(US$ million)



Cash Flow From Operations

(US$ million)



Segment Analysis

Gross earned premium for the year ended December 31

(%)

	2011	2010
North American operations	41.7	34.0
European operations	26.0	29.8
Australian operations	24.4	27.7
Latin American operations	4.2	4.1
Asia Pacific operations	3.7	4.4

Worldwide Portfolio Mix

Gross earned premium for the year ended December 31

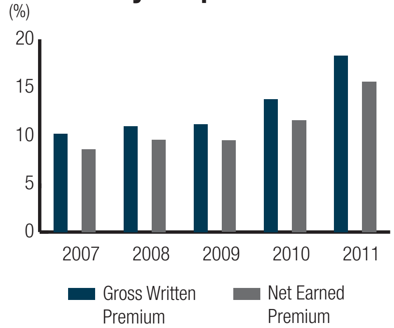
(%)

	2011	2010
Property	32.8	29.7
Motor and motor casualty	14.2	14.5
Agricultural and bloodstock	12.7	6.9
Public/product liability	11.7	13.9
Marine, energy and aviation	7.2	8.9
Workers' compensation	7.1	7.7
Financial and credit	5.1	6.2
Professional indemnity	4.2	5.3
Accident and health	3.6	5.3
Other	1.4	1.6

All charts source: QBE 2011 Annual Report

QBE Business Model: Growth by Acquisition

(%)



The Basics

QBE Insurance (International) Ltd.

A.M. Best Company # 084314

Chief Executive: Frank O'Halloran, CEO

Headquarters: New South Wales, Australia

Parent Company: QBE Insurance Group Ltd.

Parent's A.M. Best Company # 085434

2011 Group Total Assets: $46.7 billion

Source: A.M. Best Co.

Breathing New Life

SunAmerica Financial Group says a new organizational structure will better serve its distribution partners.

After mortgage-backed security investments caused AIG to suffer a near collapse in 2008, part of its comeback strategy was to reorganize its U.S. life insurance and retirement businesses.

That led to the recent creation of an all-channel distribution firm designed to accelerate growth in sales and profitability.

In August 2009, SunAmerica Financial Group was formed to combine AIG's domestic life and retirement services companies under a more streamlined leadership structure. This coincided with challenges surrounding its ultimate parent, AIG; but over the past 18 to 24 months, SunAmerica has been reinstated by all key distribution networks and has expanded marketing through newly established relationships.

This year, the company reorganized its management structure, added several experienced leaders from outside the company and created a new distribution arm, SunAmerica Financial Group Distributors, to oversee sales and account management efforts across SunAmerica Financial. The unit also will oversee all sales of American General Life Cos.' life, accident and health insurance products; Variable Annuity Life Insurance Co.'s group retirement and roll-over offerings; Western National's fixed annuities; and SunAmerica's variable annuities and mutual funds.

Part of AIG's reorganization also includes establishing an institutional markets division to oversee the structured settlements, pension terminal funding, private placement life and annuity, and COLI/BOLI businesses. The unit also will assume management of AIG's existing stable value wrap book of business.

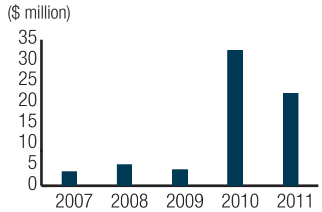
SunAmerica Financial Group president and CEO Jay Wintrob believes the new organizational structure will enable the company to better serve its broad network of distribution partners, "as we work together to help even more Americans plan for and achieve financial and retirement security."

He expects SunAmerica will continue focusing on risk-adjusted returns and profitable growth, in addition to selling where it can get intended rates for return.

Company Results

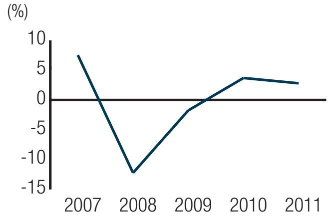
Total Net Premiums Written

($ million)



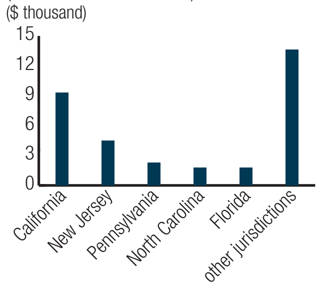
Total Return

(%)



Top States of Business

(Direct Premiums Written)
($ thousand)



* Charts reflect data for SunAmerica Life Insurance Co.
All charts source: BestLink L/H Statement File

Top Lines of Business

(Net Premiums Written and Deposits)

	2011	2010	2009
Individual Annuity	33,436	48,365	33,062
Group Annuity	1,166	1,105	406
Ordinary Life	-1,853	-1,881	-2,114
All Other Lines	0	0	0
Total	32,749	47,589	31,354

The Basics

SunAmerica Life Insurance Co.
A.M. Best Company # 007102

Chief Executive: Jay Wintrob, president and CEO, SunAmerica Financial Group
Headquarters: Los Angeles
Parent: American International Group
A.M. Best Company # 058702
2011 Assets Under Management: $257 billion

Source: SunAmerica Financial Group

Taking a New Direction

WellPoint's growth strategy focuses on health care reform and the Medicare market.

WellPoint is one of the largest U.S. health insurers by membership and has been a visible national voice on sustainable health care reform.

WellPoint joined with the health insurance industry several years ago to declare that it "will be specifically advocating for health care reform and agreed that as part of reform we would eliminate the barrier of pre-existing conditions, and guarantee to issue policies to all comers in the individual market," said CEO Angela Braly.

Braly has advocated a greater use of technology in health care and has strongly supported evidence-based medicine. In 2010, she responded publicly to the Obama administration for repeating a later-discredited charge that WellPoint singled out and eliminated women with breast cancer from its rolls, while also urging him to stop attacking health plans.

In a speech at Marquette University, Braly said that it's her job to drive "the change necessary to create an efficient and effective company that's creating value and health care for all Americans, along with being an advocate for responsible, sustainable health care reform."

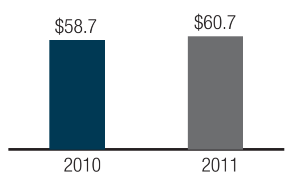
Gearing up for the implementation of the new health care law, WellPoint teamed up with Health Care Service Corp. and Blue Cross Blue Shield of Michigan in 2011 to offer a private, online health insurance exchange for employers ahead of the state-based health insurance exchanges to be established in 2014.

Part of WellPoint's growth strategy focuses on the Medicare market. More than one million baby boomers will age into Medicare annually until 2030. Braly said in her speech that the U.S. Medicare Trust Fund, which finances Part A, is expected to be bankrupt by 2016. Reform legislation calls for $202 billion in cuts in payments to Medicare Advantage; 2011 payments to those plans were frozen at 2010 levels, with major cuts starting this year and continuing through 2017.

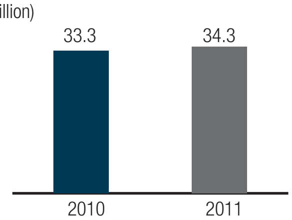
In 2011, WellPoint purchased CareMore, a senior-focused health care delivery program that includes clinics in California, Arizona and Nevada.

Company Results

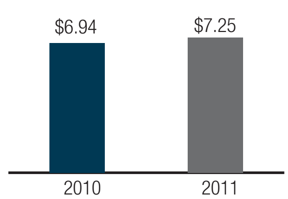
Total Revenue
($ billion)



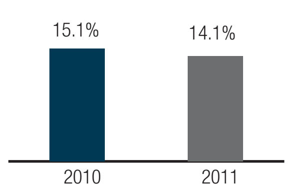
Total Medical Membership
(million)



Diluted Earnings Per Share

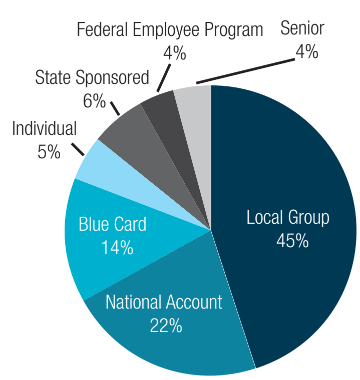


Selling, General and Administrative Expense Ratio



All charts source: 2011 Annual Report

Membership



The Basics

WellPoint Inc.
A.M. Best Company # 058180
Chief Executive: Angela F. Braly, chairman, president and CEO
Headquarters: Indianapolis
2011 Assets: More than $52 billion (as of Dec. 31, 2011)