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Munich Re Unveils Mumbai Office as India Opens Reinsurance Market

Munich Re is the latest in a growing list of foreign reinsurers to set up a branch office in India as the Munich-based group said a new composite branch office in Mumbai will serve property/casualty and life/health reinsurance markets across the Indian subcontinent.

The reinsurer added its opening of the Mumbai branch office "underlines the importance of the Indian market." The reinsurer said it is "one of the first foreign reinsurers to receive approval for a dedicated branch in India" following passage of a 2015 amendment to India's Insurance Bill allowing participation by foreign companies.

"With this set-up, the group is in an excellent position to realize profitable growth potentials of this innovative insurance market, which is one of the fastest-growing in emerging Asia," said Ludger Arnoldussen, member of Munich Re's board of management responsible for property/casualty business in Asia-Pacific, in a statement.

"With our new branch office, we are well-prepared to become one of the leading reinsurers on the Indian subcontinent, supporting the growth of our clients and partners."

With its reinsurance branch in Mumbai, Munich Re said it will be represented across all its business fields in India, including life and property/casualty reinsurance, primary insurance through the HDFC Ergo joint venture, and health insurance via Apollo Munich Health.

"With excellent growth opportunities, India's life insurance market is an important pillar in our medium-term strategy," said Joachim Wenning, Munich Re board member responsible for life and human resources, in a statement.

"Our local presence and expertise, especially in solvency-related solutions, help us to offer individually structured programs tailored to the needs of our clients and jointly realize the potential of this emerging market."

Munich Re's economic research unit estimates real premium growth in emerging Asia will have average annual growth of 9.0% in property/casualty and 10.1% growth in life until 2025. For India, expectations for property/casualty are "even somewhat higher" at 9.2%, the reinsurer said.

"With this set-up, the group is in an excellent position to realize profitable growth potentials of this innovative insurance market..."

Ludger Arnoldussen
Board of Management
Munich Re

Hannover Re recently said it gained regulatory approval to establish a branch in India (*Best's News Service, Dec. 28, 2016*).

In addition to Munich Re, Scor, Reinsurance Group of America Inc.

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9 M&A in China Continues Despite Evolving Regulatory and Policy Environment and Lloyd's were approved for branch operations in India, allowing them to directly compete with state-owned GIC Re. Munich Re's branch license was approved in November.

(By David Pilla, news editor, BestWeek: David.Pilla@ambest.com)

Axa Completes Integration of Its Life and Nonlife Units in Singapore

French insurance group Axa said it has merged its Singapore life and nonlife units under one single entity, Axa Insurance Pte Ltd., with a composite insurance license.

Axa Singapore
Select 2015 financial results
(S$ Million; US$1 = S$1.45)

Axa Insurance Singapore Pte Ltd.	
Gross Written Premium:	440
After-Tax Profit:	54
Total Assets:	966
Axa Life Insurance Singapore Private Ltd.	
Gross Written Premium:	669
After-Tax Loss:	-43
Total Assets:	2,238

Source: BESTLINK AMB Credit Report (AMB# 089428, 089429)
Data as of Jan. 3, 2017

The integration was completed by way of a scheme transfer, which had been licensed and approved by the Monetary Authority of Singapore and the High Court of Singapore, said Axa in a statement. This provides customers with greater convenience to access an integrated life and nonlife insurance solutions, Axa said.

Axa's nonlife and life businesses have operated in Singapore since 1969 and 1999, respectively. "The consolidation of both classes of business into a single insurer will allow us to have a more comprehensive picture of our customers' insurance needs and better service their general insurance and life insurance needs," said Doina Palici-Chehab, chief executive officer of Axa Insurance.

Axa Insurance Singapore Pte Ltd. reported gross written premium of S$440 million (US$304 million) and profit after tax of S$54 million in 2015, according to BestLink. Its total assets were S$966 million and its combined ratio stood at 85.6 in 2015.

Axa Life Insurance Singapore Private Ltd. reported gross written premium of S$669 million and loss of S$43 million in 2015, according to BestLink. Its total assets amounted S$2.2 billion.

Last year, Axa said it planned to merge its life and nonlife insurance businesses in Singapore as part of its customer-centricity program in the region. The French insurance group aims to become the customer-centric insurer in Asia and to serve more than 100 million customers by 2030. In line with this ambition, Axa appointed Etienne Bouas-Laurent as CEO for its life and savings and distribution businesses in Asia and to lead the group's customer-centricity efforts in the region.

(By Iris Lai, Hong Kong bureau manager: Iris.Lai@ambest.com)

Pakistan Drafts Insurance Bill to Reform and Shift Toward RBC Regime

Pakistan is shifting toward a risk-based capital regime, with the regulator seeking stakeholders' opinions on the proposed insurance bill 2016 for changes in the insurance regulatory framework, according to a statement from the Securities and Exchange Commission of Pakistan.

The draft bill aims to "address entity specific and systemic risks by a phased shift towards risk-based supervision and risk-based capital regime" and to look into regulatory gaps in existing laws, said the SECP in a statement. The regulator has started consultation on the proposed regulatory framework.

Other reforms include "the introduction of dedicated microinsurers, provisions for regulation of takaful and retakaful, regulation of local and foreign reinsurance business for enhancement of local capacity, regulation of reinsurance brokers, flexibility for introduction of new intermediaries, introduction of concept of web aggregators and insurance repository." The SECP said the proposed bill also requires insurers to develop and offer certain insurance products. Product filing for nonlife insurance and appointment of actuary are also part of the requirements.

“This shift to the risk-based supervision and risk-based capital will improve the image of the insurance industry of Pakistan internationally,” said the SECP. The draft bill intends to ensure alignment with the Insurance Core Principles of the International Association of Insurance Supervisors. The SECP said the reforms will provide a conducive regulatory environment to encourage market development.

In 2014, the SECP unveiled a road map of reform and development for the local insurance industry, which identified key issues faced by the insurance industry and suggested ways of achieving sustainable growth in the long run. One of the solutions identified was to impose higher minimum paid-up capital requirements for non-life insurers, an approach the regulator dubbed the “most important step” in strengthening the insurance industry (*Best’s News Service, March 10, 2014*).

Under the proposed insurance bill, life and nonlife insurers are required to have a minimum paid-up capital of 700 million rupees (US$4.8 million) and 500 million rupees, respectively, by the end of 2017. Insurers are also required to deposit a minimum amount, which is higher of 10 million rupees and 10% of the insurers’ paid-up capital or such amount stated by the regulator, with the State Bank of Pakistan in cash, approved securities in market value or combination of both.

Insurers have to register to operate microinsurance businesses, with a minimum paid-up capital of 50 million rupees, according to the SECP. The regulator also lays out the minimum solvency requirements for microinsurers under the proposed bill. Insurers are allowed to tie up between life and nonlife microinsurance business.

(By Iris Lai, Hong Kong bureau manager: Iris.Lai@ambest.com)

Singapore’s Pana Harrison Acquires AIH Reinsurance Brokers

Singapore’s Pana Harrison (Asia) Pte Ltd. said it has agreed to acquire the business of AIH Reinsurance Brokers Ltd. based in Labuan, Malaysia. The deal would create the largest independent re/insurance broker in Singapore.

The acquisition is “an important step for us to achieve our goal of becoming Asia-Pacific’s leading re/insurance broker,” Ronnie Lum, chief executive officer of Pana Harrison, said in a statement. The merged entity will have a “pro-forma combined annual premium approaching US$60 million” and 60 employees in seven countries. The transaction is subject to regulatory approvals. The combined group “is looking to grow the business to US$100 million in annual premium over the next three years, by developing new products and offerings to mitigate emerging risks,” said Pana Harrison, which is a general re/insurance broker, a registered Lloyd’s broker and an exempt financial adviser.

The company will concentrate on unconventional risk clusters such as cyber, nano-technology, robotics, inter-terrestrial transportation, space, structure solutions, alternative energy, political and credit risks for small- and medium-size enterprises, local and regional multinational clients and specialized infrastructure risks. Pana Harrison said it will develop new business lines and products with AIH Reinsurance Brokers.

As part of Pana Harrison, “our clients will have access to both a strong pan-regional broking platform with a greater breadth and depth of expertise of products,” said Michael Darby, managing director of AIH Reinsurance Brokers. The Labuan-based re/insurance broker was established in 2011 by Darby and backed by Huntington Partners LLP, which is an integrated strategic advisory/startup capital firm based in Singapore.

Singapore has seen merger and acquisition in re/insurance brokers for regional growth potential during the past year. B.P. Marsh & Partners Plc acquired a 20% shareholding in Singapore-based Asia Reinsurance Brokers Pte. Ltd. for almost S$2.4 million (US$1.8 million). B.P. Marsh said ARB has strong growth potential and its investment would be used to build on ARB's position in the Asian market and to assist the company in its growth ambitions.

(By Iris Lai, Hong Kong bureau manager: Iris.Lai@ambest.com)

Willis Re: Abundant Capacity Weighs On Jan. 1 Reinsurance Renewals

Abundant capacity remains an issue for reinsurers despite a rise in 2016 insured catastrophe losses as the picture becomes clearer for Jan. 1 renewals, according to Willis Re. The reinsurance intermediary added there are signs reinsurers will become less flexible on pricing even as reinsurance buyers were still able to get favorable terms for January.

"...The threshold to force a market pricing stabilization has not yet been reached."

John Cavanagh
Global CEO
Willis Re

Willis Re said in its "1st Views" report on Jan. 1 renewals that in some cases "sizable reductions have been obtained" on international business for reinsurance buyers. But there are "signs of more stability" in U.S. markets due to what Willis Re said was "the capital-intensive nature of some U.S. classes and the very significant improvements in terms in recent years."

The broker said capital markets have again been active through 2016, "leading to a further compression in margins, particularly on recent catastrophe bond issuances but also on a wider range of collateralized placements." Investor appetite "continues to expand most recently in motor, where issuers now have demonstrable access to alternative sources of capital."

Willis Re said despite a 50% rise in insured losses from natural catastrophes in 2016, the global reinsurance industry had a profit for the third quarter of 2016 and remains on track for a profitable full year.

"Reinsurers, eager for more widespread rating stabilization, have had their hopes dashed yet again, thanks to profitable results allied with continued capital oversupply from both traditional reinsurers and capital markets," the broker said in the report.

Reinsurance broker JLT Re noted in a recent report that while there appears to be a more universal trend toward moderating price declines in 2017 for renewals, excess capital, inflation and regulatory uncertainty all continue to weigh on reinsurers (*Best's News Service Dec. 30, 2016*).

"The ability to produce yet another profitable year, somewhat against the underlying pricing models, has meant that the threshold to force a market pricing stabilization has not yet been reached," John Cavanagh, global chief executive officer of Willis Re, said in a statement. "While reinsurers are still able to report profitable results despite the underlying issues they face, the situation for many primary companies is much tougher."

Cavanagh added rising combined ratios in many markets, driven by competition, both from existing peers and from new types of competitors using low-cost distribution and cost models, is a growing concern. "With the Jan. 1 renewal season setting the tone for 2017, reinsurers can only look forward to another demanding year, where luck will play an even larger role in determining their final results," said Cavanagh.

In Asia, price reductions have been larger and more widespread than expected, according to Willis Re. The report noted inconsistent market pricing by territory and client, with little consensus between reinsurers in the region. Pro rata capacity was much tighter, with reinsurers showing signs of fatigue, Willis Re said.

Reinsurance Property Rate Movements

	Pro Rata Commission	Risk Loss Free % Change	Risk Loss Hit % Change	Catastrophe Loss Free % Change	Catastrophe Loss Hit % Change
Asia:	0%	-5% to -7.5%	+5% to +7.5%	-7.5% to -15%	+10% to +15%
Australia:	0% to +1%	-5% to -10%	varies	-2.5% to -7.5%	-5% to +15%

Source: Willis Re

In Australia, market softening continues, with rate reductions dependent on perceived program price adequacy and level of first event retentions, according to the report. Reinsurers in Australia are showing limited appetite for rate reductions on loss affected layers, according to Willis Re, while some are starting to reduce capacity where rates are perceived to be inadequate. Plenty of capacity is still available from both traditional sources and ILS markets, it added.

In the U.S. market, Willis Re said in its report a lack of major catastrophe loss activity and abundant capital continue to drive the soft market, but added price reductions "are significantly less than January 2016." Price increases on loss-affected business were seen mainly in Texas and the Midwest, along with North American insurers with Canadian losses.

For the United Kingdom, Willis Re said catastrophe loss experience remains benign, with no significant change in retention levels or overall limits purchased. "Appetite from reinsurers remains strong resulting in risk-adjusted reductions on loss-free catastrophe and aggregate programs," the broker said. "As catastrophe rates continue to soften, reinsurers are increasingly diversifying into risk excess of loss treaties creating more capacity in the market; even for loss affected risk programs capacity remains sufficient."

Willis Re added in the United Kingdom, new entrants, "many of them Lloyd's," managed to access U.K. business, and there was "heightened appetite from a number of" insurance-linked securities funds.

In Europe overall, Willis Re said in its report that renewals "showed clear signs of a softening market in the later stages," highlighted by what the broker said was a "differing view of risk, with some (mainly larger) reinsurers reducing and others gaining market share leading to a greater fragmentation of market pricing."

"Buyers continued to enhance their protection landscape" as they closed coverage gaps between lines of business and perils. There was also greater demand for frequency protection and multi-year solutions, while technical underwriting margins for reinsurers moved further towards negative territory.

(By David Pilla, news editor, BestWeek: David.Pilla@ambest.com)

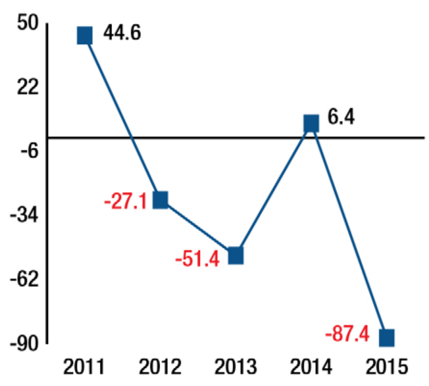
Allianz Closes on Sale of Korea Life Unit to China's Anbang

Allianz SE said it concluded the sale of Allianz Life Insurance Korea to China's Anbang Group Holdings.

"The transaction followed an extensive review by Allianz to secure long-term growth for Allianz Life Insurance Korea," Allianz said in a statement.

The Munich-based insurance group said in April 2016 it would sell its South Korean life insurance operations to Anbang Insurance Group Co. Ltd. (*Best's News Service, April 16, 2016*). Anbang agreed at the time to buy Allianz Life Insurance Korea and Allianz Global Investors Korea as Anbang's

Allianz Life Insurance Co. Ltd.
After-tax profit/(loss)
(South Korean Won Billion; US$1 = 1,196.60 won)



Source: BESTLINK – AMB Credit Report (AMB# 085971)
Data as of Jan. 3, 2017

second acquisition in South Korea. The addition of Allianz Life Insurance Korea and Allianz Global Investors Korea would bring further opportunities to Anbang and its affiliates in Asia, Anbang said in April.

"The acquisition is consistent with Anbang's investment strategy, which is focused on globalization, and we are committed to being a strong partner and long-term contributor to the growth of financial industry in Korea," said Beijing-based Anbang.

Foreign life insurance companies are facing more challenging market conditions in South Korea, with a gradual decrease in foreign players' presence in recent years, according to Seewon Oh, associate director of analytics at A.M. Best Asia-Pacific Ltd.

In the early 2000s, foreign life insurance companies entered South Korea with innovative products such as whole life and variable annuities, and new sales channels. However, Oh said their differentiation advantage in product offerings and sales strategy were weakened over time as local life insurers adopted the same approaches, overriding the foreign insurers.

Oh said at the time that sustained weak financial market conditions lessened the appeal of foreign insurers' offerings. As a result, the market presence of foreign life insurers gradually decreased since their peak in 2007.

(By David Pilla, news editor, BestWeek: David.Pilla@ambest.com)

China Cinda Asset Management Sells Stake in Cinda P&C to Investment Firm

China Cinda Asset Management Co. Ltd. has agreed to sell its 41% stake in Cinda Property and Casualty Insurance Co. Ltd. to Shenzhen Investment Holding Co. Ltd. for 4.22 billion yuan (US$606.8 million), according to a statement from the state-backed bad-debt manager.

Shenzhen Investment had placed the highest bid in a public sale through the Beijing Financial Assets Exchange for the 1.23 billion shares of Cinda P&C held by China Cinda Asset Management. The listing price of the shares was 2.45 billion yuan. The equity transfer is subject to regulatory approvals, said China Cinda Asset Management.

China Cinda Asset Management owned a 51% stake in Cinda P&C prior to the deal, which is part of a drive to reform state-owned enterprises. The transaction is "a strategic consideration to further optimize the financial platform resources of the group, which is proposed to accelerate the market-oriented reform of Cinda P&C in line with the new economic trend by introducing competent shareholders and achieving synergy effect," said China Cinda Asset Management.

Beijing-based Cinda P&C reported premium income of 768 million yuan and a loss of 13.6 million yuan in the third quarter of 2016, according to the insurer's financial statement. Its integrated solvency ratio stood at 422.85 and net assets amounted 2.8 billion yuan in the third quarter.

Shenzhen Investment is a Hong Kong-listed property developer under Shenzhen State-owned Assets Supervision and Administration Commission. Its business mainly focuses on property development, investment and management.

In October, Shenzhen Investment and Shenzhen Qianhai Financial Holdings Co. Ltd. agreed to fully acquire ACR Capital Holdings Pte. Ltd., the parent company of Singapore-based reinsurer Asia Capital Re. The deal is still subject to regulatory approvals. Both Chinese groups said the ACR acquisition is in line with the aim to increase their exposure in reinsurance business. Shenzhen Investment has significant shareholding in Hong Kong-listed Ping An Insurance group.

(By Iris Lai, Hong Kong bureau manager: Iris.Lai@ambest.com)

China's Huaxia Life, Soochow Life Latest To See Curb on Sales of Universal Life

Huaxia Life Insurance Co. Ltd. and Soochow Life Insurance Co. Ltd. are the latest to see curbs on their sale of universal life insurance products in China, according to a statement from the China Insurance Regulatory Commission.

Huaxia Life and Soochow Life are prohibited to operate online insurance business and to sell new life products for three months. The CIRC said the two insurers failed to rectify problems in their business operations involving universal life insurance products.

Tianjin-based Huaxia Life reported premium income of 9.8 billion yuan (US$1.4 billion) and a net profit of 1.2 billion yuan as end of the third quarter. Its integrated solvency ratio stood at 123.23 and net assets were 18.8 billion yuan in the 2016 third quarter, according to Huaxia Life's financial report.

Suzhou-based Soochow Life's reported premium income of 110.8 million yuan and net profit of 40.3 million yuan at the end of the third quarter. Its integrated solvency ratio stood at 244.23 and net assets were 1.8 billion yuan in the 2016 third quarter, according to Soochow Life's financial report.

The regulator has investigated nine insurance companies, including Foresea Life Insurance Co. Ltd. and Evergrande Life Assurance Co. Ltd., for their operation of universal life insurance business. The CIRC said it has stopped online business operation of six insurers, including Foresea Life and Evergrande Life.

The CIRC found mis-selling in the online sales of universal life insurance products by these nine life insurers when the regulator conducted on-site inspections between May and August.

The regulator has issued supervisory orders to these insurance companies for a rectification plan. Next, the CIRC said a more comprehensive supervisory system will be implemented for stricter execution in a bid to strengthen risk management, market order and standards for universal life insurance business.

Recently, the CIRC strengthened the supervision of universal life insurance products and suspended Foresea Life from selling the product. This follows the regulator's new rules on short- and medium-term life products.

The regulator said in a statement it is keeping a keen eye on insurers offering these popular, high-return and high-risk products to fund stock investments. Foresea Life has submitted a rectification plan, but issues surrounding universal life products have not improved (*Best's News Service, Dec. 8, 2016*).

Later, the CIRC suspended Evergrande Life from investing in the country's stock markets. Evergrande Life has actively participated in short-term stock speculation investment activities, according to the regulator.

The CIRC said the company does not comply with the insurance investment rules, which require a clear asset-liability management plan and transparent operation.

(By Iris Lai, Hong Kong bureau manager: Iris.Lai@ambest.com)

Upcoming Insurance Events

Jan. 15-19: National Association of Catastrophe Adjusters Annual Convention, Las Vegas. Presentations offer information on appraisals, claim file reviews and scoping claims. In one class, an FAA representative will talk about new rules and regulations for drones and how they apply to the use of drones by insurers.

Jan. 17-20: Gen Re Winter Executive Forum, St. Pete Beach, Florida. Consultants, attorneys and more will address topics such as digital technology, rating methodology, frequency and severity in automobile claims and the risk environment. Scott Speaker, Gen Re chief technology officer, will use vignettes to illustrate insurer-centric security issues.

Jan. 17: Insurance Information Institute's Property/Casualty Insurance Joint Industry Forum, New York City. One panel features financial experts, the second policy experts and regulators. The third is moderated by Leigh Ann Pusey, American Insurance Association president and features three chief executives officers: Bruce Kelley, EMC Insurance Cos.; Anthony Kuczinski, Munich Re; and Michael LaRocco, State Auto.

Jan. 18: St. John's University's School of Risk Management — 2017 Insurance Leader of the Year, New York City. Markel Corp. Vice Chairman Anthony F. Markel will be honored by the Peter J. Tobin College of Business as the risk management school's 2016 Insurance Leader of the Year.

Jan. 26-29, 2017: Professional Insurance Marketing Association Annual Meeting, Hyatt Regency Coconut Point, Bonita Springs, Florida.

Jan. 29-31, 2017: World Captive Forum, Business Insurance, R&Q, Willis Towers Watson, Boca Raton Resort, Florida.

A complete list of the industry's upcoming conferences and events is at *www.ambest.com/conferences/index.html*

A.M. **BestTV**

Analytics, Compliance Demands Drive Growth for Auditors & Actuaries

Executive Editor Patricia Vowinkel discusses Best's Review's annual ranking of insurance industry outside auditing and actuarial firms. *http://www.ambest.com/v.asp?v=auditor117*

FM Global Takes Aim at Global Flood Risk

Thomas Lawson, president & CEO, FM Global, said the insurer plans to make public parts of its worldwide flood-mapping project and also open a new facility in Singapore. *http://www.ambest.com/v.asp?v=lawson117*

Contaminated Drinking Water Triggers Range of Insurance Risks

Experts in environmental insurance, regulatory compliance and water issues discuss the risks and insurance coverages of contaminated water systems and supplies. *http://www.ambest.com/v.asp?v=contaminated-water117*

Insurance Charitable Event Raises $1.4 Million

Members of the Northeast Division of the Insurance Industry Charitable Foundation raised a record amount of money to benefit regional charities that support education, at-risk children, the environment, disaster preparedness and more. *http://www.ambest.com/v.asp?v=iicf1216*

Insurers Adjust Exposure to Hedge Funds

Jason Hopper, senior industry research analyst, A.M. Best, discusses a new A.M. Best special report that examines why insurers are increasing or decreasing investments in hedge funds as part of their asset management strategy. *http://www.ambest.com/v.asp?v=hedgefunds1216*

P/C Personal Lines 2017 Rating Outlook: Stable

Greg Williams, senior director, A.M. Best, reviews the stable outlook for the property/casualty personal lines sector. *http://www.ambest.com/v.asp?v=pcpersonal1216*

China's Regulator Imposes Stricter Rules on Insurance Shareholders

The China Insurance Regulatory Commission has imposed stricter regulations on insurance companies' shareholder structure and requirements, according to a statement.

Any single shareholder's upper limit in a stake holding in an insurance company will be reduced to one-third from the current level of 51%, said the CIRC. This is to prevent any improper interest transfer from the shareholders, and subsequent risk exposure to the insurer.

The CIRC said this reduction of a shareholding cap aims to prevent risk. The regulator will also look into their way of investments and funding sources of shareholders for stronger control.

The regulator will classify insurer shareholders into three categories based on their influence on the company's operation and management. The CIRC said there will be stricter regulatory controls and requirements on financial investors, strategic and controlling shareholders.

The regulator will look into shareholders' capital sources, background, quality, management team and past investment activities. The CIRC said this is to ensure the financial strength and sustainability of shareholders under a more transparent structure.

In 2016, the CIRC said it has investigated insurance companies' shareholding structure, capital sources, transparency and related background. The regulator is planning to revise the rules and is seeking public consultation for the implementation of stronger supervision.

This new move follows the CIRC's recent curb on sales of universal life insurance products and aggressive stock trading of some insurers. The regulator aims to prevent insurers' investors to use the insurance fund to participate in speculative investment activities.

In July, the CIRC said it would hold insurance company shareholders to strict standards as part of the focus on the industry's primary role in risk protection. The industry has to keep a close eye on their operational structure, with risk controls and monitoring of the funding sources.

(By Iris Lai, Hong Kong bureau manager: Iris.Lai@ambest.com)

Reinsurers May Benefit From Non-Motor Personal Lines Growth in Southeast Asia

Insurers in the non-life markets across Southeast Asia are becoming more aware that they need to develop new sources of growth through introducing new lines of business beyond the traditional commercial fire and motor insurance products.

As economic growth spreads into more segments of society, further insurance industry growth may require the development of non-motor personal lines and small business lines, according to an A.M. Best special report.

The Best's Special Report, titled, "Non-Motor Personal Lines Growth in Southeast Asia Could Provide Opportunities To Reinsurers," notes that the regional insurers' need for support during the early stages of new product launches, provides reinsurers that have relevant capabilities with an opportunity to position themselves as growth facilitators and innovators.

Multiple factors are pushing insurers to look beyond motor and commercial fire, including sluggish to declining sales in major motor vehicle markets such as Indonesia, Thailand, and Malaysia.

This has weakened a primary source of premiums in these markets and is increasing pressure on thin profit margins.

A.M. Best believes these reinsurers will need to demonstrate the ability to keep innovating efficiently and to manage concentrations, as the cedants likely will reduce cessions as they become more familiar and comfortable with the new products.

To access a copy of this report, please visit *http://www3.ambest.com/bestweek/purchase.asp?record_code=257262* .

M&A in China Continues Despite Evolving Regulatory and Policy Environment

An uncertain economic outlook in China and government policies that are still evolving in the country and overseas could put a damper on merger and acquisition activity in 2017, according to an A.M. Best special report.

The Best's Special Report, titled, "Chinese Mergers &Acquisitions Activity Continues Amid Evolving Regulatory and Policy Environment," notes that M&A activity among insurance companies in China has been increasing in recent years, with a higher proportion of M&A deals taking place overseas, as Chinese buyers have sought to diversify their assets and expand their businesses internationally.

In particular, companies in China have needed to strengthen their niche advantage or create new areas of expertise through strategic partnerships formed by outbound M&A as a result of the increasingly competitive domestic market.

With the expectation of further yuan depreciation, insurers have sought overseas assets, particularly real estate in mature markets while their purchasing power lasts.

However, the CRC recently has imposed stricter controls on insurers' investments, including the acquisition of overseas assets. China's foreign currency reserve plunged significantly in the past 10 months, dropping by US$69.1 billion to US$3.05 trillion in November 2016, according to the People's Bank of China.

This eroding reserve trend, along with depreciation pressure on the yuan, could lead to tightening regulatory approval on insurers' overseas acquisitions.

A.M. Best expects M&A activity in China to continue as a long-term trend and vital part of China's economic development despite the various challenges, such as regulations, government policy and expertise. The CIRC says the current market-oriented reforms will continue, but it will impose a more rigidly structured regulatory system as it aims for greater transparency and prudent supervision of the industry's rapid growth. Such a development would benefit the industry as it addresses the risks arising from M&A activity.

To access a copy of this report, please visit *http://www3.ambest.com/bestweek/purchase.asp?record_code=257285* .

Munich Re: 2016 Insured Losses Highest in Four Years at $50 Billion

Earthquakes and storm-related floods topped a busy year in natural catastrophes in 2016, according to Munich Re. Losses from natural catastrophes in 2016 totaled $175 billion, the highest loss total in four years, the reinsurer said in a statement. Munich Re said about $50 billion of that, or nearly 30% of the total, was insured.

Best's Journal

Special Report: **Chinese M&A Activity Continues Amid Evolving Regulatory and Policy Environment**
Chinese companies have been increasing their merger and acquisition activity in recent years, with a higher proportion of that activity taking place overseas. Dec. 22, 2016

Special Report: **Non-Motor Personal Lines Growth in Southeast Asia Could Provide Opportunities To Reinsurers**
Insurers across Southeast Asia are keen to explore opportunities outside of the traditional commercial fire and motor lines that historically have dominated the non-life markets in which they operate. Dec. 22, 2016

Special Report: **Personal Automobile – A Challenging Road Ahead**
The personal automobile market in the United States is vast, as evidenced by the nearly $193 billion of net premiums written recorded in 2015. Dec. 15, 2016

Special Report: **Insurers Hunt for Diminishing Opportunities in a Market Laden with Challenges**
Over the past decade the insurance industry has been faced with numerous tests, including major catastrophe losses, the financial crisis, regulatory changes and uncertainty due to political events. Dec. 15, 2016

Briefing: **Global Reinsurance Outlook Maintained at Negative**
A.M. Best is holding its outlook for the reinsurance sector at negative, citing the continued market challenges that will hinder the potential for positive rating actions over time and may eventually translate into negative rating pressures. Dec. 12, 2016

"Both insured losses and total losses had been about two-thirds higher than the last year, 2015," said Peter Höppe, head of geo risk research at Munich Re, in a video statement.

He added both insured and uninsured losses were higher than the average losses for the past 10 years.

"After three years of relatively low nat cat losses, the figures for 2016 are back in the mid-range, where they are expected to be," Torsten Jeworrek, a member of Munich Re's board of management, said in a statement.

He added while losses in a single year are random and cannot be seen as a trend, the high percentage of uninsured losses, especially in emerging markets and developing countries, "remains a concern."

Among key findings for 2016, said Munich Re, is both overall losses and insured losses were above the inflation-adjusted average for the past 10 years — at $154 billion and $45.1 billion, respectively.

Munich Re said "taking very small events out of the equation," 750 relevant loss events such as earthquakes, storms, floods, droughts and heatwaves were recorded in the Munich Re NatCatService database.

"That is significantly above the 10-year average of 590," the reinsurer said.

The reinsurer noted "a high number of flood events, including river flooding and flash floods, was exceptional and accounted for 34% of overall losses, compared with an average of 21% over the past 10 years."

The five costliest catastrophes in 2016, ranked by insured losses, according to Munich Re, were April 14-16 earthquakes in Japan with about $6 billion in insured losses; Hurricane Matthew in the United States and the Caribbean Sept. 28-Oct. 9, with about $3.8 billion; floods in Europe May 27-June 8, with $3.2 billion; storms in the United States April 10-15 with $3.0 billion; and wildfires in Canada in May, with $2.9 billion.

Höppe said in his video statement the 2016 nat cat losses emphasized what he called "a huge gap" that persists between total nat cat losses and insured losses.

"More than 70% of the losses resulting from natural catastrophes didn't have any insurance cover," he said. "This is especially the case in developing and poorer countries," such as Haiti, which he said had "devastating consequences."

Höppe added "insurance has the potential" to increase recovery from nat cats if it can be implemented in poorer countries.

(By David Pilla, news editor, BestWeek: David.Pilla@ambest.com)

Aon Hewitt Names New Chief Executive of Greater China Region

Aon Hewitt has promoted Peter Zhang as chief executive of its Greater China region. He succeeds Klaus Liu, who becomes chairman.

Zhang has been with Aon Hewitt eight years. Previously he was compensation practice leader for Aon Hewitt Greater China. He specialized in broad-based rewards consulting, China's health care industry, human resources function transformation and sales force effectiveness, Aon said in a statement.

Liu worked for more than 12 years to establish adviser relationships with clients and develop an Aon team, said Stewart Fotheringham, chief executive officer for Aon Hewitt Asia-Pacific, Middle East and Africa.

This Month In

The Venture Capitalists

The "Agents of Change" feature package, explores the insurtech boom and features the insights of some of the biggest names in insurtech venture capital. "The Venture Capitalists" reports how investors are seeking to shake up the insurance industry by funding tech startups that have the potential to become game changers.

Between the start of 2011 and the third quarter of 2016, investors sunk $5.68 billion into insurance technology, with nearly three-quarters of those investments coming since 2015, according to CB Insights data.

"In fintech today, if you think of it broadly, insurance is definitely the area with the most investor interest right now," said Matthew Wong, senior research analyst for CB Insights. The attraction is obvious, investors say. Insurance is a huge industry – it raked in $4.55 trillion in global premiums in 2015, according to Swiss Re – that has seen relatively little innovation compared to other areas of fintech.

"Our model is predicated on investing in large markets where there's a real opportunity to leverage tech and data to fundamentally transform industries," said Brendan Dickinson, a partner at Canaan Partners. "It's a market where there's an opportunity to bring some tech innovation to bear on the industry. And we're at a moment in time where the industry is eager to try to help new entrants succeed."

Tell Us What You Think

Is the gig economy impacting your plans and operations? Email to *bestreviewcomment@ambest.com*.

"I'm confident that Peter will build upon this platform and accelerate results for our clients, colleagues, and communities," Fotheringham said in a statement.

The talent, retirement and health solutions business of broker Aon plc said last year the third-highest region for rising medical costs globally was Asia-Pacific, which at 9.4% was also down from the previous year's 10.4%. Aon based its findings on medical trend expectations of employer-sponsored medical plans in 90 countries.

Aon plc was the second-largest global insurance broker in 2015 with revenue of $11.68 billion, according to *Best's Review*'s annual ranking.

(By Renée Kiriluk-Hill, associate editor, BestWeek: Renee.Kiriluk-Hill@ambest.com)

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