

International Casualty





2016 started off with some major changes in the international casualty insurance area:

- **ACE** acquired Chubb on 1/14/16, creating a global insurance leader, with the combined organization operating under the Chubb name. **Chubb** is now the world's largest publicly traded property and casualty group, with operations in 54 countries, exceptional financial strength, and a broad range of personal and commercial insurance products. The company is pursuing international clients in both the large/national account and commercial/middle market spaces as in the past. Most policies are being renewed on the incumbent form and by the incumbent underwriting teams.
- **Zurich's** Q4 downsizing of their large international casualty underwriting team has led to a more defined client appetite. Zurich international casualty team is more clearly segmenting and defining clients between middle market/ commercial and large/global Corporate with \$100K premium and \$750M in sales being the baseline. Zurich also launched their SCC offering — sponsored captive cell. This is a Vermont-based segregated captive option for loss-sensitive international casualty programs. Finally a new form was released at year-end 15. A comparison chart is available.
- **CNA** has increased its appetite for larger international clients, professional industries and construction. They hired senior Chubb international talent to enhance their international insurance offering. CNA has proposed some very interesting premiums for combined domestic, umbrella and international programs. CNA has proven a good insurer for international casualty clients where CNA also has their domestic or umbrella business.
- **Liberty** has decided to exit the international space and will no longer write new business.
- **Generali**, on the other hand, has hired an international casualty team and is open for business with offices in NYC and Chicago. Some aggressive and creative solutions have been bound by our teams. They will consider middle market and large corporate clients.
- **XL Catlin and HDI Global** continue to seek opportunities with loss-sensitive international casualty programs.
- **HDI Global** with 39 owned and 111 partner companies worldwide. HDI is also active in the captive program space for P&C (capacity — property \$500M / Liability \$20M) but no longer wishes to be used as a pure fronting vehicle; they will need to retain some portion of risk transfer.
- **AIG's** organization has also undergone a number of management changes in the past months and will continue to re-evaluate their underwriting appetite
- **Travelers** has recently hired experienced international underwriters previously with Chubb. This should strengthen their international appetite.
- **Allianz** is expanding its international appetite beyond global property and liability programs and has an expanded client data portal, My AGCS.com, and an International Insurance Solutions group to assist with coverage globally.

Global Program Insurers as of May 1, 2016

INSURER	OWNED	NON-AFFILIATED	TOTAL COUNTRIES
AIG	103	110	213
ALLIANZ	77	126	203
AXA	47	90	137
CHUBB	54	146	200
CNA	15	154	169
FMGLOBAL	39	109	148
GENERALI	40	111	151
HDI GLOBAL	39	111	150
QBE	34	130	164
RSA	23	156	179
SWISS RE	20	170	190
TRAVELERS	4	113	117
XL CATLIN	55	158	213
ZURICH*	61	159	220

**Using ISO Country Definition*

INSURER	MAXIMUM FRONTING LIMITS	SECURITY REQUIREMENTS	GUARANTEED CASH FLOW	CAPTIVE FRONTING PROGRAMS
AIG	Property/\$2.5B Casualty/\$100M	Subject to credit review	Agreed case by case for client needs/ countries	424
ALLIANZ	Property/\$1B Casualty/\$10M	S&P AA Rating Committee approval	Per service level agreement	US – 72 ROW – 169
AXA	Property/\$300M Casualty/\$25M	Committee approval	None	120
CHUBB	Property/\$1B Casualty/\$25M	Committee approval	Paid by the 25 th /out by the 15 th of the following month	US – 94 ROW – 103
FM GLOBAL	Property/Full Value	Committee approval	None	130
GENERALI	Property/\$250M Casualty/\$25M	Committee approval	Varies	30
HDI GLOBAL	Property/\$500M Liability/\$20M	Committee approval	15 days in selected countries	100
RSA	Property/£300M Liability/£10M	Committee approval	60 days from date of local policy booked	25
XL CATLIN	Property/\$1B Liability/\$150M	Committee approval	5 business days after confirmation that funds received by XL or network partner	US – 15 ROW – 60
ZURICH	Property/\$1B+ Liability/\$25M	Committee approval	Agreed case by case based on needs	US – 122 ROW – 325



Market Conditions

Competition in the market remains strong with single-digit reductions for the commercial client segment and decreased rates (-10 to -15%) available for the larger global clients with favourable loss experience and a marketing effort. Underwriters at both international casualty and property insurers continue to manage their administrative costs and initiate conversations with an eye on rate. Therefore, planning and allowing time for competition are essential to achieving best results.

M&A

With M&A activity growing in the U.S. over the last 12 months, many global clients are also feeling the effects of merging, splitting, divesting or acquiring. An insurer's flexibility at these times may gain them more business in the long run. Some insurers are better poised to win in these situations. Most large complex insurers such as Chubb, AIG and Zurich are heavily focused on cross-selling domestic and international programs in an effort to gain more of the global clients' business. AIG is now creating an internal account executive role to assist global clients in navigating the intricacies of insurance overseas across multiple AIG product lines. Zurich and Chubb continue to have regional client managers for select accounts. This involves claims and underwriting, credit, and service.

For large complex programs, the players have remained the same; Chubb, AIG, AXA, XL and Zurich. Allianz, Swiss Re and HDI also entered the large international space. HDI is focused on cross-selling domestic and international, especially for tougher industries and for those insureds with a German connection. AXA, XL, Zurich and HDI continue to be better options for loss-sensitive or tougher classes.

Technology

Insurers continue using technology and account relationship conversations to differentiate themselves in the marketplace. Not only savings and coverage but service quality — accuracy, timeliness and process — are the focus for most global clients. The tight partnership of broker, client and insurer is essential to achieve desired results.

Chubb (ACE Worldview), Zurich (My Zurich) and AIG (My AIG) seem to have the most advanced client portal systems. CNA is also developing a policy issuance/invoice tool (CNA Central). The online client portal allows clients and their brokers to monitor their international policy administration and issuance, payment and claim history. Some carriers also developed a travel app for mobile phones to provide insured travellers with country information and assistance.

Policy Forms

HDI is considering an endorsement to their U.S. property and liability policies relating to cyber (this would be initially offered for foreign headquartered incoming HDI business). Their international casualty forms have been broadened to include several endorsements, such as additional insured, waiver, broad named insured and S&A and can include pure financial loss and extended products (non-aviation and non-automotive). They also offer a foreign third-party recall policy with retentions.

Most carriers are increasing sub limits and offering additional product enhancements to attract and retain clients. Common options include: sub limited Crisis Response, AD&D, BTA, K&R, CCC, Pure Financial Loss, Product Recall, Terrorism, Pollution. Zurich, AIG and Chubb are also focusing on more clearly defining what "good local standard" means in their locally issued policies. These projects will continue over 2016. The Zurich Global Property

Prime insurance policy is now launched, allowing more clarity on good local standards. Primary FVWC is available for a price upon request. AIG is looking to localize the property wording to match the U.S. policy wordings.

Middle Market International

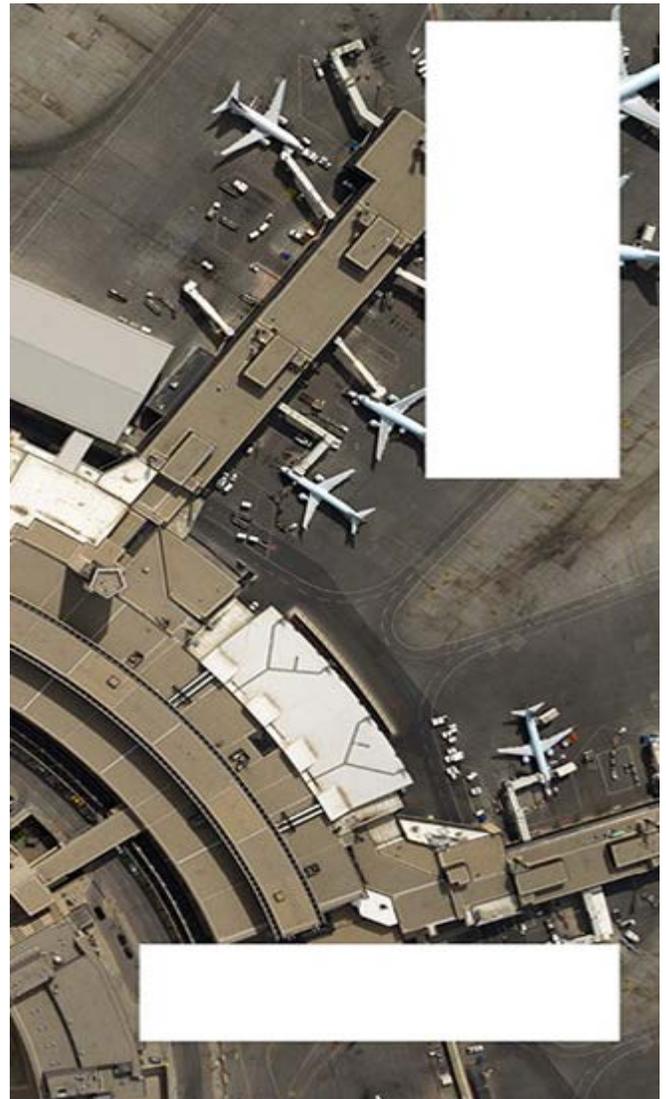
Middle market international clients seem to choose Chubb and Travelers, as the same underwriter reviews the domestic and international liability programs offering combined pricing (albeit in separate policies). Navigators continues lowering the traditional minimum premium from \$2,500 down to \$1,000 per policy. Other carriers (Zurich, CNA. & HDI) will sometimes do so on a selected country-by-country basis to gain an edge when needed. BTU Berkley Technology Underwriters is also a niche player targeting more professional industries and using Lloyds paper.

DBA

For DBA, the key markets are: AIG, AWAC, STARR, Arch, Chubb and CNA. Any Chubb legacy accounts will be underwritten by legacy ACE underwriters in 2016. It is important to focus on loss control and claim management to avoid premium increases over time.

Hot Topics

Most international clients continue to be concerned with compliance and are considering additional underlying policies or higher limits on a country-by-country basis. Several foreign governments are increasing local tariffs and IPT (insurance premium tax) taxes (UK, China, India, Korea) and auditing clients for IPT payments going back to 2004. The most active have been Canada, Germany, Belgium and Italy. D&O and Umbrella policies also seem to be the target now.



For more information, please contact your Willis Towers Watson International team at www.willistowerswatson.com

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