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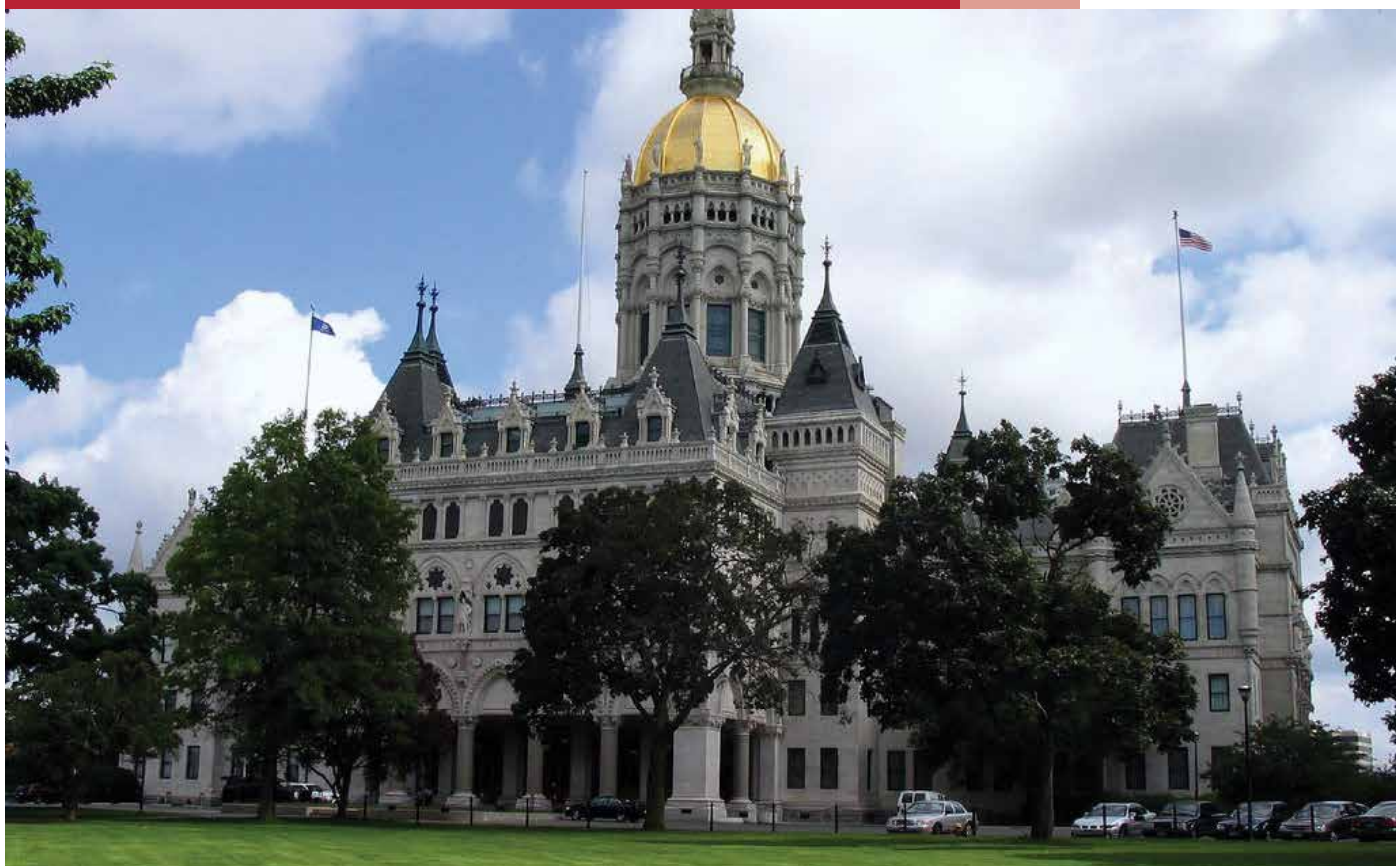
2013 Connecticut insurance market brief

A year in review, the future ahead

The second in a series on the Connecticut insurance market

November 12, 2013

IFS | CT
10 YEARS STRENGTHENING AND ADVANCING
Connecticut Insurance & Financial Services



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About PwC

Connecticut is a vibrant and growing business community, of which PwC and our employees are proud members. As a leading professional services firm, we are deeply committed to serving this state and its many thriving industries, including insurance.

There are transformational changes on the horizon that are putting existing insurance business models at risk. But there are also incredible opportunities. The insurers that adapt will focus keenly on the customer, build their analytical capability (including data), and have a superior capacity for innovation and reinvention. They'll also be able to anticipate — not just react to—change, and be nimble enough to quickly capitalize on emerging opportunities.

PwC has extensive knowledge of the issues, trends and challenges that insurers face. Many of the nation's top insurance organizations come to PwC for business insights and solutions. From assurance, audit and tax to the full spectrum of advisory services, our people provide outstanding industry knowledge, firsthand experience, and professional skills that span the entire insurance ecosystem. For every client, and for every project, we tap into some of the brightest minds and the most relevant industry wisdom, connecting a thorough network of resources to provide powerful strategies that help you succeed in a competitive and changing marketplace.

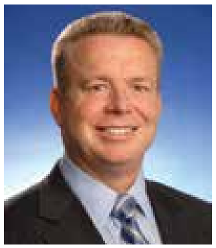
About Connecticut Insurance & Financial Services Cluster (CT IFS)

The Connecticut Insurance and Financial Services (CT IFS) Cluster, formed in 2003, is a strategic initiative of the MetroHartford Alliance that is designed to create a stronger IFS industry that is critical to sustain economic and employment growth in Connecticut. Leaders from business, state government and academia collaborate to foster growth among all of the industry's segments. The CT IFS Cluster is comprised of 30 corporate sponsors whose shared vision is to create competitive advantages in business attraction and retention, to assist with recruitment and education of a trained workforce, and to increase public awareness through advocacy.

Did you know?

Look for "Did you know?" facts throughout this document and learn more about Connecticut's vital insurance industry.

Introduction



PwC

This Connecticut Insurance Market Brief ("Brief") is an annual update to the 2012 Connecticut Insurance Market Report ("Report") that was published on November 9, 2012.[1] The Report was the culmination of months of work and collaboration with more than 100 contributors from the insurance, financial services, government and educational sectors.

This Brief includes information updates, emerging trends/issues and new executive perspectives since the Report was published and is a companion document to the Connecticut Insurance Market Forecast event held on November 12, 2013.

It has been a pleasure working with the Connecticut Insurance and Financial Services Cluster on this Brief and our sincere thanks to all who have participated. Through continued teamwork and investment in the industry, we can all play a part in helping Connecticut maintain its global insurance leadership role well into the future.

Sincerely,

Paul V. Veronneau
Hartford Advisory Leader, PwC

IFS | CT
10 YEARS STRENGTHENING AND ADVANCING
Connecticut Insurance & Financial Services

CT IFS

The shared vision of the founders who created the Connecticut Insurance and Financial Services (CT IFS) Cluster, an initiative of the MetroHartford Alliance, is now 10 years strong. As we celebrate our anniversary year, 2013, we recognize our many industry partners whose strategic alliance has allowed Connecticut to reign as a national leader in insurance workforce, technology and product innovation.

As host of the annual Connecticut Insurance Market Forecast in Hartford, the CT IFS presents the pre-eminent gathering of insurance executives to discuss issues and events that affect the industry regionally, nationally and globally. The Connecticut Insurance Market Brief, compiled in collaboration with PwC, showcases the state's breadth and depth of expertise and 200-year history of industry leadership.

On behalf of CT IFS leadership, we invite you to join the celebration of history and people that make Connecticut's insurance industry and the nation's Insurance Capital so strong and dynamic.

Susan Winkler
Executive Director
CT IFS

Jim Bedard
Chair, CT IFS
Chief Financial Officer/Chief Operating Officer, Northeast Region, UnitedHealthcare

Oz Griebel
President and Chief Executive Officer,
MetroHartford Alliance

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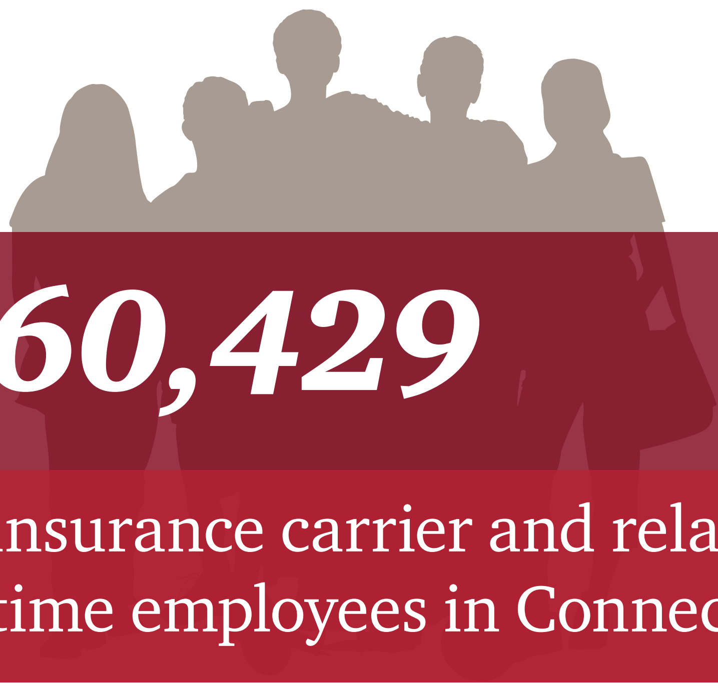
Perspectives

The year in review

Major events[2]

A timeline of Connecticut's insurance history prior to October 2012 can be found in our 2012 Connecticut Insurance Market Report. The following pages contain a summary of events that have shaped Connecticut's insurance landscape in the year since that publication.



60,429

insurance carrier and related full-time employees in Connecticut

2012

October

- UnitedHealth Group and Amil Participações S.A. merged.

November

- The Connecticut Insurance and Financial Services (CT IFS) Cluster launched the inaugural Connecticut Insurance Market Forecast event and collaborated with PwC to publish the 2012 Connecticut Insurance Market Report.
- Harvard Pilgrim Health Care filed an application with Connecticut regulators to enter the Connecticut market.[3]
- Aetna and UnitedHealth Group ranked as "Best at Civic Engagement" in the Civic 50 survey.[4]

December

- The Obama administration approved health insurance marketplaces to be set up in six states, including Connecticut.[5]
- Prudential Retirement passed $106B in stable value assets.

2013

January

- Prudential Financial, Inc. completed the acquisition of The Hartford's Individual Life Insurance business through a reinsurance transaction.
- MassMutual acquired The Hartford's Retirement Plans business.
- MassMutual announced a significant investment in its facilities and infrastructure at its Enfield location.
- Connecticut Insurance Commissioner, Tom Leonardi, named to the executive committee of the International Association of Insurance Supervisors (IAIS).[6]
- Prudential completed two landmark pension risk transfer transactions, one with General Motors Corp. to settle approximately $25 billion in pension obligations[7] and the other with Verizon Communications, Inc. to settle approximately $7.5 billion in pension obligations.[8]

February

- XL Group received "Model Insurer of the Year Award" from Analyst Firm Celent for Claims Technology Initiative.
- MassMutual, Northwestern Mutual and Prudential Financial recognized as "World's Most Admired" life insurance companies according to FORTUNE Magazine's 2013 annual survey.[9]

March

- Travelers celebrated its 160th anniversary.
- ConnectiCare launched a new affiliate, Care Management Solutions, which is administering the Health Enhancement Program for employees of the State of Connecticut.
- Aetna and Starr International Insurance (Asia) Ltd. formed a strategic alliance to offer medical insurance and health care solutions in Hong Kong.[10]

April

- HealthyCT, a new not-for-profit health plan, awarded licensure from the Connecticut Insurance Department.[11]
- InsurBanc, a federal savings bank founded by the Independent Insurance Agents & Brokers of America and W.R. Berkley Corp. merged with Connecticut Community Bank N.A.[12]

May

- Aetna completed the acquisition of Coventry Health Care.
- Lincoln Financial Group's hybrid long-term care funding solution celebrated 25 years in the market.
- ING U.S. launched its Initial Public Offering and plans to rebrand to Voya Financial beginning in 2014.[13]

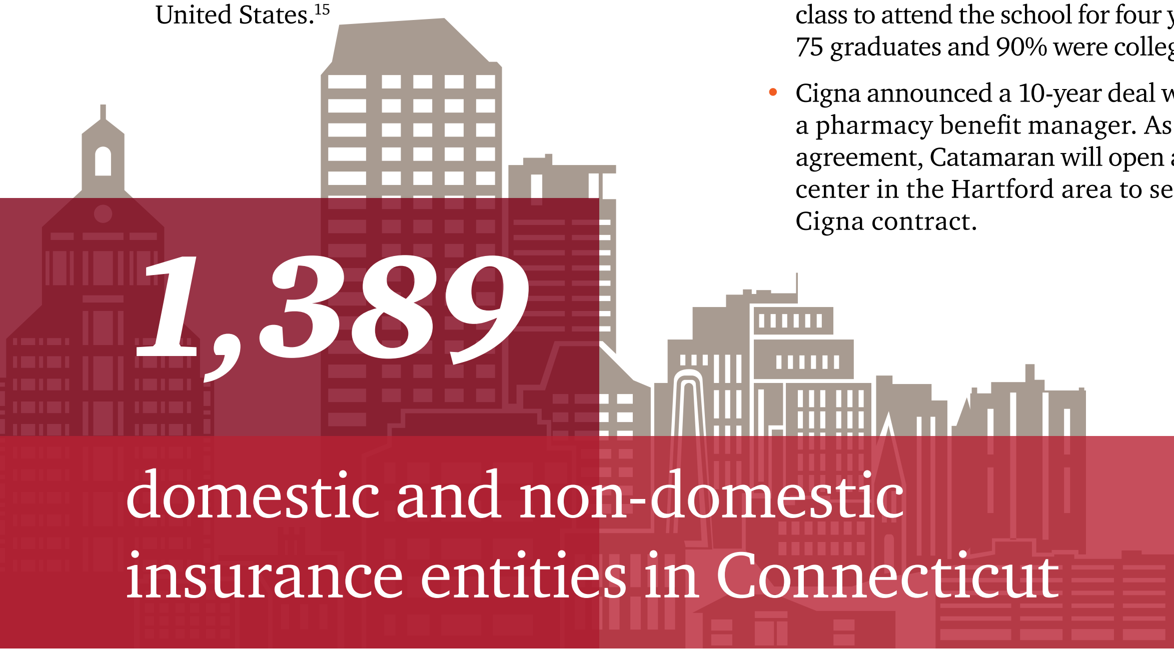
"While the insurance and financial services cluster is a clear strength for our state, there is a never-ending need to re-evaluate our competitive position nationally and internationally to ensure we are always a step ahead. The partnership we have in place between our dynamic corporate leadership and the state's economic development team is focused on these issues, and more importantly taking the proactive steps necessary to build upon strengths, address weaknesses and identify new areas for growth. Connecticut cannot—and will not—rest on its laurels."

Catherine Smith, Commissioner, Connecticut Department of Economic and Community Development

2013

May (continued)

- UnitedHealthcare's myHealthcare Cost Estimator was made available to virtually all markets nationwide.
- The first "Captive Insurance Day at the Capitol" built awareness regarding the growing captive insurance market in Connecticut.[14]
- Atmospheric and Environmental Research and The Hartford Steam Boiler Inspection and Insurance Company announced a strategic alliance to comprehensively understand and assess blackout risk in the United States.[15]



June

- Aetna was appointed by the National Health Insurance Company of Qatar to support development of its disease management and advanced analytic reporting capabilities.[16]
- Travelers announced the $1.1 billion acquisition of The Dominion of Canada General Insurance Company, expanding the company's presence in Canada.
- High School Inc., a four-year college prep school in Hartford focusing on the insurance and finance industries, held graduation ceremonies for its first class to attend the school for four years. There were 75 graduates and 90% were college-bound.
- Cigna announced a 10-year deal with Catamaran, a pharmacy benefit manager. As part of the agreement, Catamaran will open a new service center in the Hartford area to serve the Cigna contract.

July

- Hartford Steam Boiler acquired Ziff Energy Group, an international energy consulting firm.
- Connecticut Department of Insurance required insurers to explain how they manage the risk of climate change in a wide-ranging survey that asked about insurers' investment portfolios, customer outreach, and plans to assess and reduce emissions.[17]
- Lincoln Financial Group received "Innovation in Diversity Award" from *Profiles in Diversity Journal* for awareness program designed to help build trusting relationships with female investors.

August

- UnitedHealthcare became the first national insurance carrier to offer plan participants online bill-payment capabilities that are fully integrated with their online claim information.
- Magellan Health Services entered into a definitive agreement to make a strategic investment in AlphaCare of New York; a newly-licensed Medicaid Managed Long Term Care HMO and Medicare Plan.[18]

2013

September

- Nine students from High School Inc. rang the closing bell on September 19th at The New York Stock Exchange.[19]
- Cigna acquired Alegis Care, a multi-specialty medical health services organization that provides medical home care for homebound Medicare and Medicaid patients.[20]
- Magellan Health Services Inc. entered into an agreement to acquire Partners Rx®, a full-service commercial pharmacy benefits management company.[21]
- Harvard Pilgrim selected downtown Hartford's City Place II office tower as its new Connecticut headquarters and plans to start selling insurance in Connecticut in 2014.[22]
- Ovation Benefits acquired by Digital Benefit Advisors.[23]
- Aetna and Cigna ranked as leading technology innovators in InformationWeek Top 500.[24]

October

- Phoenix celebrated the 50th anniversary of its "Boat Building" headquarters, a Hartford architectural icon.
- Access Health CT, Connecticut's health insurance exchange, opened for enrollment.[25]

October (continued)

- The Connecticut Captive Insurance Association held its second symposium to bring together the major players in the industry and showcase the state as a potential home for captives.[26]
- Cigna launched its third apprenticeship program with the University of Connecticut in two years.
- A new Connecticut law gave the state Insurance Department authority to create a mediation program for insurance policy claims following catastrophic events.[27]
- The Red Apple Group, which operates Gristedes Foods and Red Apple gas stations, formed the state's third captive, Red Apple Risk Insurance Company.[28]
- The Navigators Group, Inc. held its ribbon cutting ceremony after moving to Stamford, Connecticut in September.

November

- The CT IFS Cluster convened its second annual Connecticut Insurance Market Forecast event and collaborated with PwC to publish the 2013 Connecticut Insurance Market Brief.

"Connecticut's captive insurance initiative continues to gain momentum, with a third captive, Red Apple Risk Insurance Company, licensed in the state and a robust pipeline of opportunities in development. As the cost and diversity of risks continues to grow, businesses, large and small, are increasingly turning to captives as a means to manage that risk, for both traditional and non-traditional coverages."

Thomas Hodson, President, Connecticut Captive Insurance Association

"When we began to evaluate our options and entered into discussion with the State of Connecticut, they made it very clear that they felt Navigators to be an attractive, growth-oriented company they wanted to bring to their state, and they succeeded in making a compelling case for us to make the move to Connecticut and become a vital part of the state's leading insurance marketplace."

Stanley A. Galanski, President & Chief Executive Officer of The Navigators Group, Inc.

Connecticut by the numbers

According to the US Census Bureau, Connecticut's population grew 2.7% to 3,590,347 in 2012.[29] However, the labor force declined by 2.4% during the same period, falling to 1,852,500.[30] Connecticut's seasonally adjusted unemployment rate has fallen from 8.9% to 8.1%, but remains high when compared to the national average of 7.3%.[31] Median household income rose 2.7% in 2012, growing to $67,165[32], and ranking Connecticut the third highest in the nation, well above the national median of $52,762.[33]

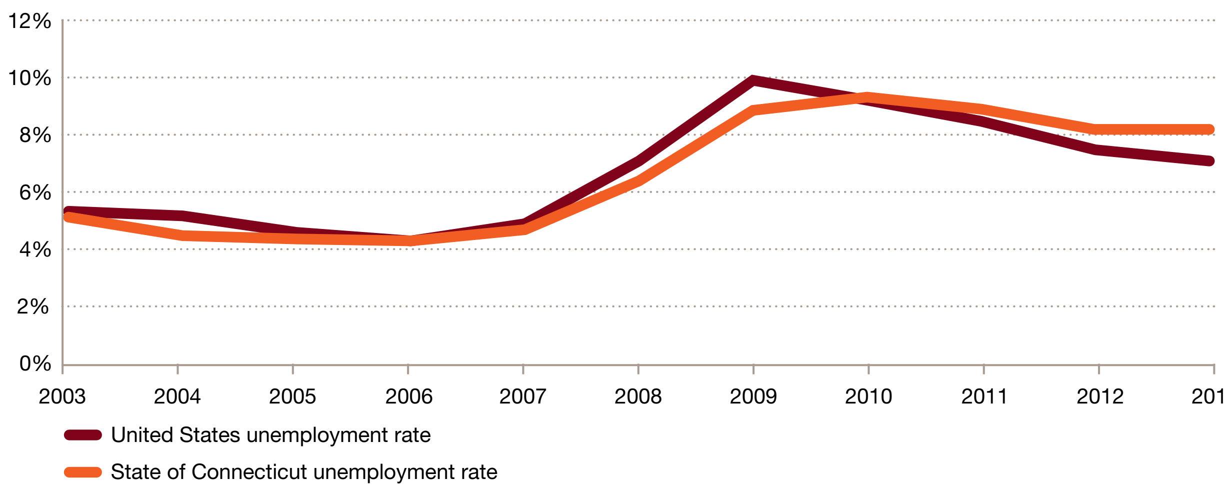
"Connecticut's insurance industry is internationally known—and rightfully so—as having a wealth of talent and innovative thinkers. The impressive roster of companies that call Connecticut home have proven time and time again that they are at the forefront of new product development, workforce advancement, and cutting-edge technologies."

Catherine Smith, Commissioner, Connecticut Department of Economic Development

Connecticut by the numbers	2011	2012
Population	3,580,709	3,590,347
Population growth rate	3.5%	2.7%
Median household income	$65,415	67,165
Labor force	1,897,800	1,852,500
Unemployment	8.9%	8.1%

Sources: STATS America (July 2013), Connecticut Department of Labor (September 2013) and US Census Bureau (July 2013).

State of Connecticut vs. United States unemployment (seasonally adjusted)



Source: Connecticut Department of Labor, September 2013.

"We very much look forward to serving the people of Connecticut. As someone who grew up and went to school in the state, it's like coming home for me. Harvard Pilgrim sees great potential as a local, not-for-profit health plan to bring the people of Connecticut the alternative choices and excellent clinical programs and customer service that have helped us become the number one private health plan in America for the past 10 years. Our focus is on simplicity, improving health, great service and value. Collaborating with hospitals and physicians to bring a variety of health plan choices to the market is what we do best. Currently, we are working with Connecticut regulators to provide them with all the information they need prior to acting on our license application, and we have been talking with civic groups and organizations about how we can participate in the community. To prepare for our entry, we recently opened a new office in downtown Hartford. We see our future as a strong regional health plan, so participation in the Connecticut market is a logical next step for us."

Eric H. Schultz, President and Chief Executive Officer, Harvard Pilgrim Health Care

Insurance in Connecticut

Connecticut remains an insurance powerhouse. There are approximately 110 domestic and 1,279 non-domestic insurance entities doing business in the state, each developing, selling and administering a variety of products and services.[34] Some of the world's largest insurance companies call Connecticut home, and even more compete for Connecticut business.

Insurance continues to be a vital sector of Connecticut's economy, representing 3% of the workforce,[35] 5.9% of the payroll[36] and 8.8% of the of the gross state product (GSP).[37] Connecticut also continues to rank first nationally in insurance carrier employment as a percentage of total employment,[38] insurance payroll as a percentage of total payroll,[39] and insurance GSP as a percentage of total GSP.[40]

For each major insurance company in the state, there are several smaller insurers and many more insurance-related businesses across the Connecticut landscape. Connecticut insurers are part of a complex ecosystem that includes financial services, government, educators, and suppliers all playing a vital role from both a business and community perspective. Connecticut is both a major consumer and exporter of insurance products and services, and all players, large and small, are competing on a global scale. **And, according to the Connecticut Economic Resource Center (CERC), one new job in the insurance industry adds an additional 1.46 jobs to the Connecticut economy.**[41]

Many companies are attracted to Connecticut because of its strong insurance sector and workforce. For example, this year Harvard Pilgrim established an office in Connecticut and plans to begin selling products and services in 2014.

Other companies are home grown, such as HealthyCT, which is a Consumer Operated and Oriented Plan (CO-OP) for health insurance funded by loan dollars from the federal government as a part of health care reform. A CO-OP is a member-run, nonprofit organization that provides individuals, families and small businesses with health care coverage. HealthyCT began offering commercial insurance products on October 1, 2013 with benefits becoming effective January 1, 2014.[42]

Insurance carriers in Connecticut	*2011*	*2012*
Carrier full-time employment	50,242	48,913
Carrier and related full-time employment	61,583	60,429
Employment as a percent of CT employment	3.1%, #1 Nationally	3%, #1 Nationally
Payroll as a percent of CT payroll	5.7%, #1 Nationally	5.9%, #1 Nationally
GSP as a percent of CT GSP	8.9%, #1 Nationally	8.8%, #1 Nationally

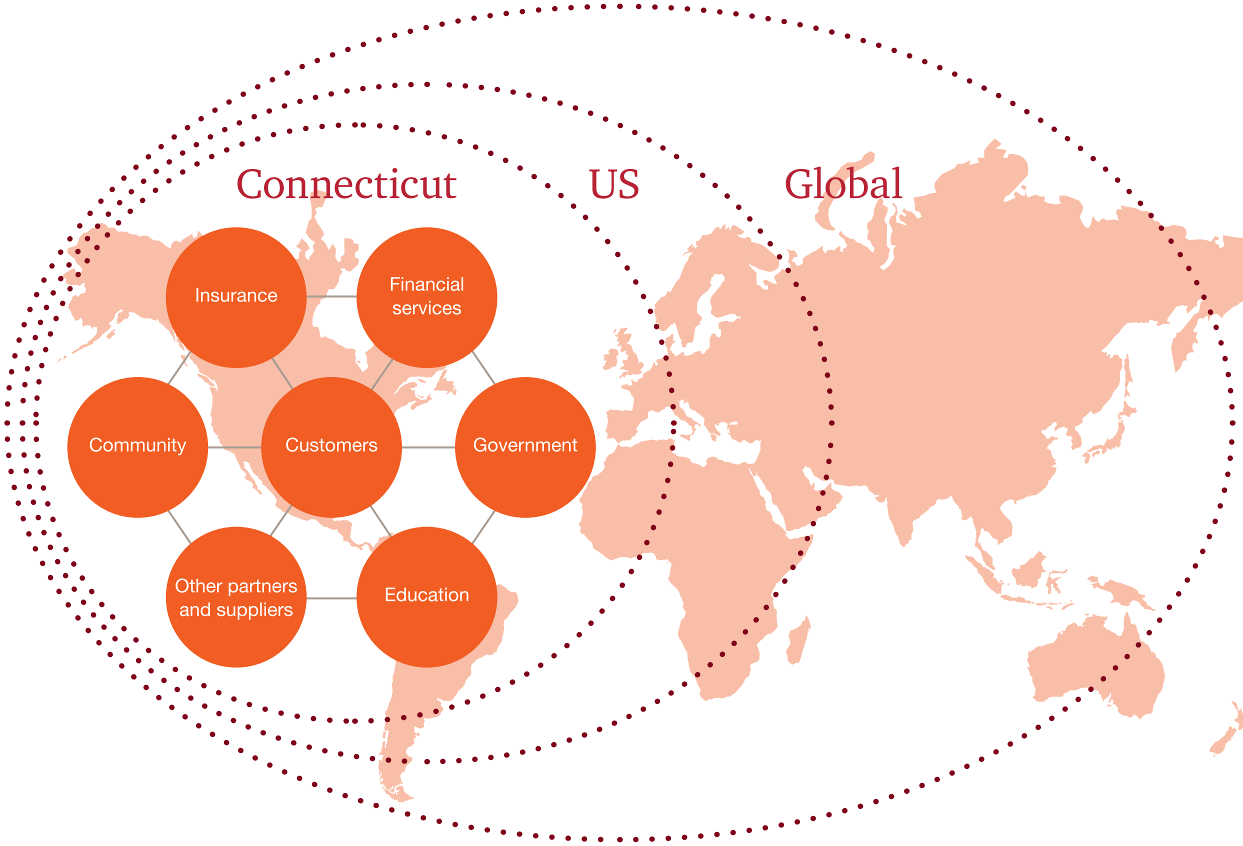
Source: CERC calculation of Moody's Analytics data. NAICS 5241. 2012.

"Our goal is to improve our health care environment by transforming our health care system. To do this we need to put patients over process, innovation over bureaucracy, and convenience and quality over complexity. This spirit of leadership and innovation is what drives us to deliver solutions that can improve health care across the globe—and it all starts here in Connecticut"

Karen S. Rohan, Executive Vice President, Aetna Local and Regional Businesses

Connecticut insurance ecosystem

Connecticut insurers are part of a complex ecosystem that includes financial services, government, educators, and suppliers all playing a vital role from both a business and community perspective. Connecticut is both a major consumer and exporter of insurance products and services and all players, large and small, are competing on a global scale.



Did you know?

Connecticut's insurance industry ranks #1 for written life insurance premiums.[46]

Connecticut's insurance industry ranks #2 in the US for total direct written premium.[47]

Premiums

Connecticut's direct written premiums decreased by approximately $820 million or 2.7%, falling from $30 billion in 2010 to $29.2 billion in 2011.[43] The number of domestic insurance entities remained constant at 110 while the number of non-domestic insurance entities decreased slightly by 1.2% to a total of 1,279.[44] The premium decrease, however, was more the result of domestic premium declines of 4.6% than non-domestic premium declines of 0.8%.[45]

	Domestic		Non-Domestic		Total	
Line of business	Number of entities	Direct written premiums	Number of entities	Direct written premiums	Number of entities	Direct written premiums
Life	26	$8,976,530,155	336	$8,141,642,238	362	$17,118,172,393
P&C	71	1,145,844,699	670	5,404,530,658	741	6,550,375,357
Health	11	4,450,447,607	20	593,745,497	31	5,044,193,104
Other*	2	46,538,404	253	469,421,620	255	515,960,024
2011 Total	110	$14,619,360,865	1,279	$14,609,340,013	1,389	$29,228,700,878
2010 Total	110	$15,318,384,814	1,294	$14,730,797,916	1,404	$30,049,182,730

Source: 2012 State of Connecticut Annual Report of the Insurance Commissioner Business of 2011.
*Includes Fraternal, Title, Surplus Lines and Risk Retention Groups.

Did you know?

Connecticut has the highest concentration of actuaries in the US.[53]

Connecticut ranks #1 nationally in insurance employment as a percent of total employment.[54]

Employment

Connecticut insurance carrier full-time employment has decreased slightly by 1,329 people or 2.6%, falling from 50,242 in 2011 to 48,913 in 2012.[48] Connecticut insurance carrier and related (carriers and others) employment also had a slight decline of 1,154 people or 1.8% from 2011 to 2012, falling from 61,583 to 60,429.[49] While Connecticut's insurance employment declines are consistent with the national trend from 2008 to 2011, it is contrary to the national result from 2011 to 2012, which demonstrated a slight employment gain of 15,100 or 1.1%.[50] Employment changes varied significantly by occupation, with Office and Administrative Support jobs falling the most (1,590 or 8.8%) and Sales & Related jobs increasing the most (120 or 2.2%).[51] Connecticut, however, continues to have the highest concentration of insurance employees in the nation.[52]

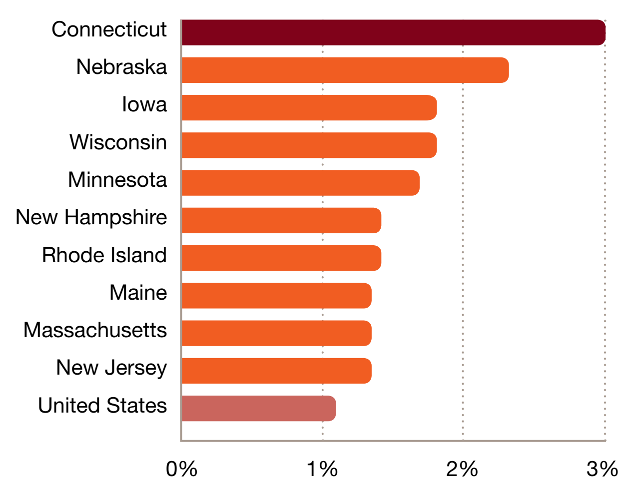
The specific reasons for national and Connecticut insurance employment declines are difficult to pinpoint, but are likely the result of increased technology innovation, productivity improvement, outsourcing, merger/divestiture activity and worker mobility.

Connecticut occupational employment in the insurance carriers sector

Occupational category	Q1 2012 Employment	Q1 2013 Employment
Management	8,290	8,350
Business and finance operations	17,000	17,290
Computer and mathematical	8,040	8,150
Legal	840	820
Healthcare practitioners and technical	1,380	1,400
Sales and related	5,430	5,550
Office and administrative support	17,910	16,320

Source: Point in time estimates of occupational employment by industry for NAICS 524 Connecticut Department of Labor.

Insurance carrier employment as a percent of total by state in 2012
US overall and top 10 states



Source: CERC calculation of Moody's Analytics data. NAICS 5241. 2012.

2013 representative sample of insurance company employees in Connecticut

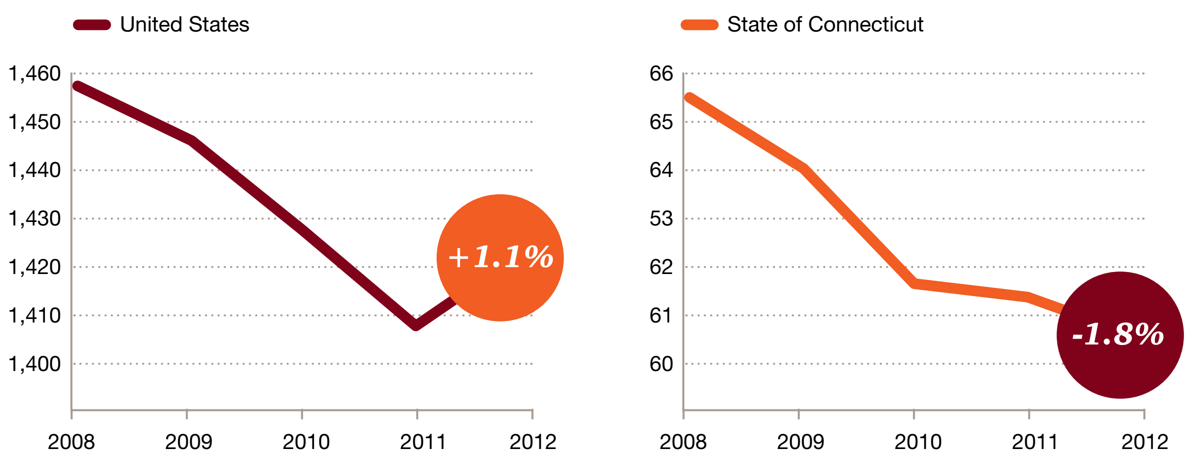
Company	Number of employees
Aetna Inc.	6,400
AIX Group, a member of Hanover Insurance Group	200
Catlin US (Catlin Group Limited)	30
Cigna Corp.	4,129
ConnectiCare	575
The Hartford Financial Services Group, Inc.	7,700
The Hartford Steam Boiler Inspection and Insurance Company	440
ING US	1,750
Lincoln Financial Group	600
Massachusetts Mutual Life Insurance Company	1,500
Northwestern Mutual	300
The Phoenix Companies, Inc.	350
Prudential Financial Inc.	1,939
The Travelers Companies, Inc.	7,400
UnitedHealthcare	4,200
Vantis Life Insurance Company	88
XL Group plc	650

Source: Provided by companies listed.

Another employment trend is worker mobility. PwC Saratoga's 2013 US Human Capital Effectiveness Report shows that more than 6.4% of high performers in the insurance industry changed employers in 2012—an increase of more than 16% from the 2011 result of 5.5%. These results highlight the fact that top performers are increasingly taking their knowledge, skills and abilities to other organizations. Additionally, the return on workforce investment in the insurance industry has improved each of the past two years, falling from an investment of $90 in workforce compensation and benefit costs per $1,000 in revenue generated (including premiums) to $86 in workforce compensation and benefit costs per $1,000 in revenue generated in 2012. During this time, the cost of workforce compensation and benefit costs has increased, but revenue increased more rapidly—resulting in an improved return on workforce investment.

Connecticut is only as strong as its human capital. Despite Connecticut's historical pre-eminence in insurance, complacency is not an option if the state is to retain its global leadership position. Keeping a skilled workforce is important for all sectors, not just insurance. However, insurance may be more vulnerable than other industries because of its virtual nature.

State of Connecticut vs. United States insurance carrier employment (not seasonally adjusted, in thousands)



Source: United States Department of Labor, Bureau of Labor Statistics, October 2013.

Did you know?

Connecticut ranks #1 nationally in insurance payroll as a percent of total payroll.[58]

Wages

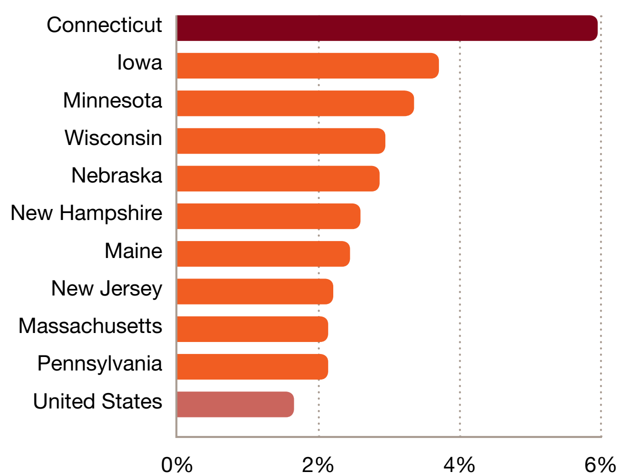
The insurance industry continues to be important to Connecticut from a wage perspective. At 5.9% in 2012, the state ranks first nationally in insurance payroll as a percentage of total payroll, up from 5.7% in 2011.[55]

This can be attributed to the industry's workforce of relatively high-paying occupations such as management, legal, business, finance, computer and math professionals.[56]

Wage changes varied significantly by occupation, with Sales and Related jobs falling the most ($3,428 or 4.8%) and Management jobs increasing the most ($11,593 or 9.1%). It should also be noted that although Office and Administrative Support occupations fell by 8.9%, the average wage for this function increased by 6%.[57]

Insurance carrier payroll as a percent of total payroll by state in 2012

US overall and top 10 states



Source: CERC calculation of Moody's Analytics data. NAICS 5241. 2012.

Connecticut occupational wages in the insurance carriers sector

Occupational category	Q1 2012 Average wage	Q1 2013 Average wage
Management	$127,553	$139,146
Business and finance operations	$75,731	$78,014
Computer and mathematical	$86,461	$93,043
Legal	$116,619	$120,037
Healthcare practitioners and technical	$69,230	$71,625
Sales and related	$71,155	$67,727
Office and administrative support	$43,467	$46,072

Source: Point in time estimates of occupational employment by industry for NAICS 524 Connecticut Department of Labor.

Did you know?

Connecticut's insurance industry contributes nearly 9% of the state's gross product.

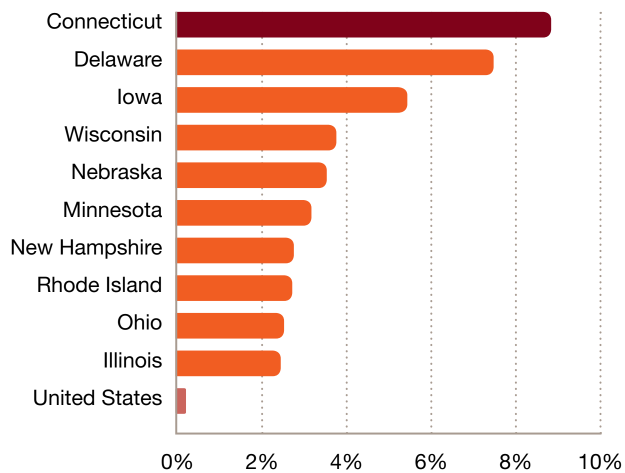
Connecticut ranks #1 nationally in insurance gross state product as a percent of total gross state product.[61]

Gross State Product

The most dramatic financial impact the insurance industry has on Connecticut is its contribution to the gross state product (GSP). With only 3% of the workforce and 5.9% of the payroll, the insurance industry contributes 8.8% of Connecticut's GSP, making insurance one of the state's top sectors from a GSP perspective.[59]

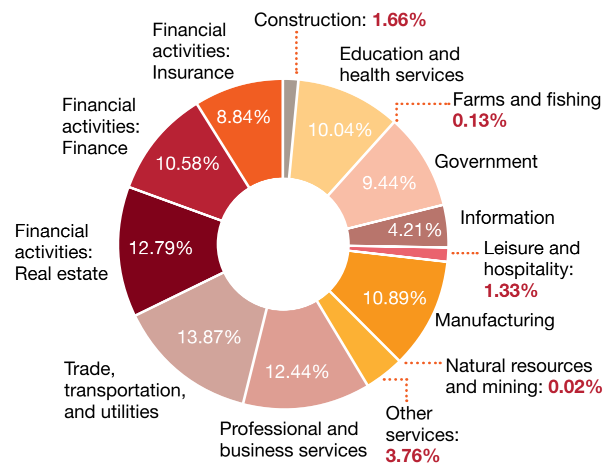
Insurance and financial services (excluding real estate) combined comprise 19.4% of Connecticut's GSP, highlighting the importance of the CT IFS Cluster. Additionally, Connecticut defines "super sectors" for reporting purposes and the Financial Activities super sector includes insurance, financial services and real estate. The Financial Activities super sector is the state's largest by far, accounting for 32.2% of Connecticut's GSP.[60]

Insurance carrier gross state product as a percent of total gross state product by state in 2012
US overall and top 10 states



Source: CERC calculation of Moody's Analytics data. NAICS 5241. 2012.

2012 Connecticut gross state product by super-sector



Source: CERC calculation of Moody's Analytics data. NAICS 5241. 2012.

Community involvement

Connecticut insurers are committed to being responsible and respected citizens in the communities in which they live and work. Whether it's through grants and scholarships, volunteerism, community service and development, or programs in environment, health care, education, arts and culture, mentoring and employment, they are passionate about giving back to the community in meaningful ways. The table to the right highlights a few examples.

Type of support	Description
Grants/scholarships	– Since 2008, Travelers has provided more than $38 million in grants and sponsorships to non-profits across Connecticut. – In 2012, the ING U.S. Foundation (then named the ING Foundation) awarded $265,500 in grants and charitable sponsorships to eligible non-profit organizations in the state of Connecticut. – The UnitedHealthcare Children's Foundation provides grants to Connecticut families who need help paying for their child's health care treatments or services. – Aetna has given more than $427 million in grants and sponsorships to non-profit organizations since 1980.
Community service and development	– Since 1998, Hartford Steam Boiler employees have raised more than $4.3 million during the annual United Way campaigns and continuously have a strong presence for the Day of Caring. – The Hartford has made a $7 million, five-year investment in Asylum Hill, the neighborhood in which The Hartford's headquarters resides. – The Travelers Championship generated over $1.2 million for more than 100 non-profits across the New England region in 2013. – Since 2002, MassMutual's LifeBridge Free Life Insurance Program has provided more than $655 million in free life insurance coverage to families across the U.S. – On XL's 2013 Global Day of Giving, more than 400 XL staff from their Connecticut offices worked with 28 schools and charities, donating approximately 3,250 community service hours in just one day. Globally the event saved non-profits 1,680 days' worth of work, and benefited over 1 million people. – Vantis Life awarded "Best Company Leadership" from United Way. – Prudential employees have donated more than 50,000 backpacks to students in more than 40 cities. In addition to donating thousands of employee volunteer hours each year, Prudential supports a wide variety of programs and organizations benefiting local communities around the world. – In 2012, ING U.S. employees contributed 7,449 hours of time to non-profit organizations in the state of Connecticut, which equates to $162,314 in savings for the non-profits.

Source: Provided by companies listed.

"The CT IFS is a unified and influential voice for Connecticut's insurance industry. It provides a network of collaboration for business leaders, public officials, volunteers and academia to strengthen our industry and sustain Connecticut's title as the nation's Insurance Capital."

Jim Bedard, Chair, CT IFS and Chief Financial Officer/Chief Operating Officer, Northeast Region, UnitedHealthcare

Type of support	Description
Volunteerism	– Annually, employees from The Hartford serve over 500 non-profit organizations across the country. – Aetna employees contributed 111,900 hours of volunteer services in Connecticut in 2012. – ConnectiCare employees volunteered for a variety of organizations in Connecticut, including Special Olympics CT Unified Sports and Habitat for Humanity. – UnitedHealthcare employees logged 29,000 volunteer hours in Connecticut in 2012.
Mentoring and employment	– Since 1986, Phoenix employees have mentored students from Hartford's Fred D. Wish elementary school, the city's longest running mentoring partnership. – During the 2012-2013 school year, nearly 350 Travelers employees volunteered their time with Junior Achievement, helping 1,800 students prepare for the workforce. – MassMutual's commitment to Junior Achievement of Southwest New England in excess of $190,000 has positively impacted the financial literacy of over 6,000 CT students over the past 20 years.
Environment	– Phoenix's 2013 "green" plaza renovation was the first privately funded iQuilt project completed, strengthening downtown Hartford's pedestrian experience. – Catlin is the sponsor of the Catlin Seaview Survey which is working with the international scientific community to survey coral reefs worldwide to add to their understanding of climate and environmental change and their impact on the oceans of the world.
Healthcare	– Since 2011, Lincoln Financial Foundation has partnered with Easter Seals Capital Region & Eastern Connecticut in helping launch and support the Autism Services for Latino Children program. In three short years, the program has helped lower the average age of autism diagnosis in Hartford's Latino community from seven years old to under the age of five.
Education	– Vantis Life hosts top math students for the "CT IFS Actuarial Boot Camp", an intensive one week program that teaches high school students about the actuarial profession and prepares them for their first exam. – Lincoln Financial Group created an interactive volunteer pen pal program supporting two local Teach For America classrooms which have fostered connections with over 120 local students over the last three years.
Arts and culture	– Hartford Steam Boiler has been the No. 1 workplace supporter of the United Arts in the Greater Hartford area in their category for the past 15 years.

Source: Provided by companies listed.

Regulation

The Connecticut Insurance Department, led by Commissioner Thomas Leonardi, is responsible for regulating the insurance industry and its compliance with all Connecticut laws and regulations with regard to the business of insurance. On the right, Commissioner Leonardi answers our questions and provides an update on the Connecticut insurance regulatory environment.

Executive perspective

An update on the Connecticut insurance regulatory environment

Commissioner Thomas Leonardi
Department of Insurance, State of Connecticut

Q: Can you give us an update on Global Systematically Important Insurer (G-SII's) designation process, Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) and other regulatory issues you've been working on?

A: The Financial Stability Board (FSB) has identified nine multinational insurance groups that it considers to be G-SIIs, including three based in the U.S. The FSB action is advisory only and non-binding. In response to the FSB announcement, I expressed concern that the G-SII findings may be premature and suggested the need for more analysis to compare the level of global systemic risk potentially posed by insurers relative to banks. The process to determine specific risk-mitigating measures that should be applied to G-SII insurers, including higher capital requirements, is ongoing. Other concerns include: a) companies do not know exactly why they have been deemed systemic, nor how they can become non-systemic going forward; b) the potential for unintended consequences exists by creating two different classes of companies; c) there is a risk that large G-SIIs may pull out of certain product lines, leaving consumers with fewer choices and less competition; and d) the whole point of the lessons learned from the financial crisis was to prevent moral hazard and "too big to fail" companies, but as this process stands, we are instead institutionalizing too big to fail and potentially encouraging companies deemed systemic to become even bigger and more systemic. The G-SII list will be determined on an annual basis. Any potential G-SII determinations with respect to reinsurers have been deferred by the FSB for one year until mid-2014, pending further analysis.

The IAIS's ComFrame project is nearing the end of a three-year development phase before entering a four-year field-testing phase in 2014. There is a target adoption date of 2018 and implementation date of 2019. U.S. insurance regulators are currently evaluating a revised ComFrame draft, which streamlines the framework and, overall, represents a significant improvement from earlier drafts. State insurance regulators strongly support the goals of enhanced coordination and cooperation but remain concerned that the ComFrame document should not be rigid in its guidance for supervisors or impose unwarranted new burdens on insurers simply because they operate internationally. We will continue to seek input from regulators and interested parties during the IAIS public consultation phase. Connecticut continues to be a world leader in the creation and management of supervisory colleges, participating in a total of 15 colleges and coordinating eight of those as the lead regulator.

Q: Last year, we also discussed the federal government's increased role in insurance regulation. What are the most recent developments in this area?

A: State-based regulation is still the law of the land. The diversity of our state-based system speaks to our strengths—our multiple sets of eyes, checks and balances and ability to act more quickly in closer proximity to our consumers. States are actively implementing more enterprise risk management tools in overseeing the industry. Embracing this holistic approach, state regulators have conducted or scheduled supervisory colleges on virtually every U.S. insurance group that has been identified as an IAIG. Why would we want to abandon a national state-based system that has served companies and consumers so well for over 150 years (including during the Great Depression and the recent financial crises) and instead move towards a system of federal regulation that failed so miserably during the financial crisis? Simply because some in the EU would like us to? The push for federal oversight is unwarranted, yet that hasn't stopped the G-20's FSB from recommending more involvement from the federal government, specifically from the Federal Insurance Office (FIO). The FIO is not a regulator and its responsibilities as a monitor, and not a regulator, were clearly defined by the Dodd-Frank Act. Frankly, the FIO's track record thus far has been one of disappointment. I would have expected that by now we could discuss in detail the FIO mandated report on modernization of the industry. It is a report that has been eagerly awaited by the industry and regulators. But at this writing, we are still waiting. The report is nearly 21 months overdue and the delay, in my opinion, has shredded the FIO's credibility.

Q: You've been very helpful in lining up three distinguished panelists for this year's Connecticut Insurance Market Forecast: The Honorable Benjamin Nelson, NAIC CEO, Commissioner James Donelon from Louisiana; Superintendent Benjamin Lawsky from New York. What do you expect us to take away from this discussion?

A: I have great respect for each of these gentlemen and their commitment to sound and fair regulatory practices. I also like all three of them personally a great deal! There is a collegiality in what we do and how we operate, despite disagreements we may have at times over the means to the same end. In a sense, what you have is a microcosm of the state-based system—diversity among states, our people, our policies and, yes, sometimes our politics. But by working through the NAIC, our standard setting organization, we are able to have thoughtful deliberations with the uniform goal of protecting our consumers.

Q: Any additional topics we should be thinking about in 2014?

A: The major provisions of the Affordable Care Act (ACA) will be in full force in 2014 and regulators will be closely monitoring carriers' compliance. We also have new players in the marketplace, specifically the Consumer Oriented and Operated Plans (CO-OP) and we are hopeful that these nonprofit models will flourish under the ACA and provide consumers with quality, affordable care.

Climate risk continues to be an area of great interest. Connecticut is one of only five states that now mandates climate risk surveys of our carriers. It is important that we identify climate-related factors that affect the marketplace and the availability and cost of insurance. This information will be of great help to the industry, its investors and reinsurers—the sector of the industry that bears a great deal of risk by underwriting losses for traditional carriers. We believe that carriers can chart a safer course and a more prepared approach for significant weather events, ultimately mitigating damage and reducing costs for consumers.

Forward looking insurance issues and implications

Connecticut's insurance industry must contend with a myriad of local and global issues and opportunities. This section includes a sampling of relevant issues and implications from *PwC's Top Issues—The Insurance Industry in 2013* and *Top Health Industry Issues of 2013*.

Consumers expect convenience, simplicity, transparency, and disintermediation from insurers.

Business issue

Strategy

Improving the customer experience

Among the most significant current opportunities for insurers is optimizing the customer experience and improving how they interact with customers. The widespread revolution of e-commerce and mobile technology over the past two decades has led consumers to expect convenience, simplicity, transparency, and disintermediation. Combined with rapidly changing demographics, economic and regulatory uncertainty, the constant struggle to competitively differentiate themselves, and changing customer expectations are causing insurers to ask the following, basic questions about how their business models should evolve over the next decade:

- How can we optimize the customer experience and still drive efficiency?
- What is the right balance between digital convenience and in-person relationship-building?
- Are current products meeting consumer needs?
- How can we harness data and analytics to provide consumers and policyholders a unique experience across customer segments?

Implication

Insurers should consider the following:

- Continue to invest in understanding consumer and policyholder expectations. The long history of designing products and services based on underwriting, producer and legal expectations needs balance from evolving policy holder and consumer expectations.
- Revisit customer experience programs. Candidly assess your organizational commitment. Are you measuring what's important, holding people accountable and rewarding them for improving the customer experience?
- Reconsider traditional distribution platforms. Organizations that view the ideal distribution model of 10 years from now (versus the past or just next year) will be in a better position to align distribution with the market's changing expectations.
- Design products for consumers rather than producers. Test a new product aimed specifically at a consumer's needs and design it for the web, which will maintain simplicity.
- Differentiate your value proposition through thoughtful advice. Prescient carriers will develop new ways to provide consumers with helpful advice, including technology enabled personalization.

Executive perspective

Taking a multi-dimensional view of the customer

Michael J. Burns
Senior Vice President,
Life Solutions, Lincoln
Financial Group[62]

The life insurance industry has been around for a long time, and clearly some things have changed over the years. Policy choices have increased significantly, the days of the door-to-door salesman are all but gone, and consumers are more informed than ever, which raises expectations.

At the same time, many insurance carriers are increasingly working to ensure that their view of the 'customer' is inclusive of both the end-consumer and advisor. Technology, unprecedented access to data, and dedicated consumer and producer research functions within companies have presented the greatest opportunity ever to understand expectations, behaviors, decision-making processes and learning preferences for both sets of customers. These developments are also providing greater clarity around consumer spending priorities and what our products are competing against for consideration. All of these learnings can help carriers make informed decisions around product design and innovation, distribution and market expansion opportunities, and how we talk about and position products.

The power of a multi-dimensional view of the customer is clearly seen in the case-study of Lincoln's hybrid life-long term care (LTC) solution, which is a universal life insurance policy with optional LTC benefit riders. This solution has been on the market for 25 years helping policyholders protect their assets, family, and financial independence by creating a pool of dollars available to reimburse qualified LTC expenses, along with life insurance protection. While always a stable performer, its true potential wasn't reached until the product and its processes evolved to more fully reflect the policyholder preferences, as well as advisor perspectives.

Initially, this solution was positioned in the market as an alternative to traditional LTC. However, its true calling was found to be with those considering self-insuring (those already working with advisors and setting aside funds to pay for LTC events without having to prematurely sell portions of their portfolio). This led to a repositioning of the product line's entire business model, more closely aligning the products' benefits with the audience where they would resonate most.

This repositioning gave way to a non-traditional distribution platform. While LTC solutions had typically been sold through traditional insurance professionals, Lincoln's hybrid LTC funding solution found its greatest success when the company built a distribution force focused on financial advisors and financial institutions, allowing the product's value proposition of asset protection to be demonstrated in a client conversation not strictly focused on LTC.

The processes related to applying for and receiving coverage also evolved. Originally, these processes were lengthy and complex, resulting in client conversations focused on "how the product works" and "what's necessary to get the coverage" instead of the value it offered. Today, these processes are streamlined and simplified, allowing advisors to focus the conversation on "what the solution can do" for clients.

By using client and producer insights, Lincoln has been able to actively position and distribute the solution as a product that could preserve assets, as well as protect the consumer's lifestyle. The evolution of Lincoln's hybrid life-LTC solution largely took place before many of the advances available today in customer-experience programs. As carriers continue to invest in customer-experience initiatives and tools, the industry has an opportunity to enhance every touch point and empower the consumer and advisor; whether it's providing tools to advisors that help clients during the sales process to visualize how a product will fit into their financial portfolio or what effect a claim could have on that portfolio, or post-sale, in helping clients seamlessly manage claims.

At the same time, investing in the customer experience presents an important opportunity to promote branding that demonstrates understanding of customer concerns, and inspires an emotional connection between the company, the policyholder and their beneficiaries. Life insurance is one of the only major purchases where all you receive is a paper promise. There is no tactile experience, no smell, no sound. It's a major purchase that you largely buy for someone else, and you probably don't talk about it with your friends. It's intangible…and it's an opportunity to ensure a policyholder's experience reflects understanding of their needs, wants and expectations.

"...investing in the customer experience presents an important opportunity to promote branding that demonstrates understanding of customer concerns, and inspires an emotional connection between the company, the policyholder and their beneficiaries."

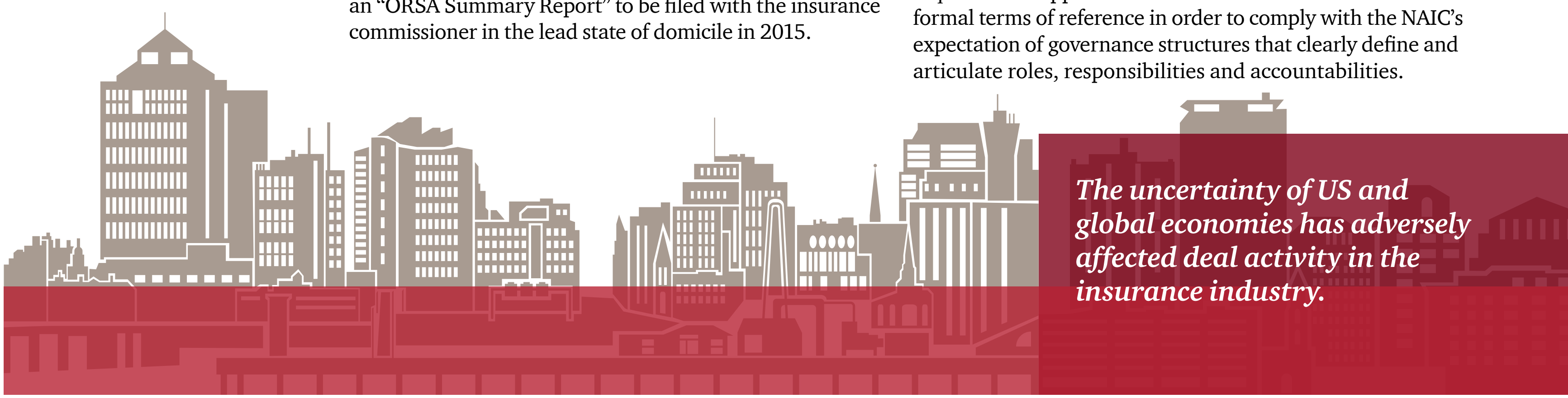
Michael J. Burns, Senior Vice President, Life Solutions, Lincoln Financial Group[63]

Business issue	***Implication***
Strategy (continued)	
Information advantage through analytics The amount of internal and external data (including social, mobile and transactional data) and the analytics that exploit it are the subject of considerable discussion in both the media and corporate board rooms. Senior management is paying closer attention to how information can improve decision-making at both the operational and strategic levels, and more and more insurers are creating data science organizations to increase their competitive advantage. Insurers should view data strategically. The first questions they should ask themselves are, "What questions are we trying to answer to make better decisions?" and "Where and how can information, analytics, and insights provide us with a competitive advantage?	Insurers who develop a competitive information advantage through analytics will exhibit the following: – Successful identification of the key business decisions they need to make and how information, insights, and analytics can impact them. – Ability to quickly mobilize a cross-functional team of business, technology, and analytics experts within and outside of the organization to deliver on the company's information strategy. – A management culture that is open to experimentation and bases business decisions and actions on the insights the company gains from data and analytics.
Reshaping auto insurance Several factors aimed at road and vehicle safety are increasingly likely to reshape the auto insurance industry. From numerous advancements in car and truck technologies, to federal and state legislation on driver behavior, to government investments in roads, highways and intersections, insurers should prepare for a changing landscape—though not necessarily fewer opportunities. Although current technology and legislation are still very much works in progress, there are strong forces that do stand to reshape the sector, including shifts to new types of coverage, alternative distribution channels, and redefined customer segments.	Mobile telematics and recent automotive safety features are helping insurers price and manage risk better and definitely are the wave of the future. However, until more drivers utilize them, their effect on insurers will be minimal. Legislation that ostensibly promotes driver safety so far has had a limited effect on insurers and premiums. Any future developments could cut both ways—a reduction in premiums for safe drivers and an increase for more frequently penalized ones—and result in consistent premiums revenue overall. The rise of affinity groups could lead to more risk-sharing; while this could lower prices per premium, increased policy affordability could lead to overall premium growth. Risk slicing has the potential to reduce the need for more traditional coverage, but could lead to an increase in the market for alternative coverage. Self-driving vehicles have the potential to significantly disrupt the traditional auto insurance industry, but are not likely to be widely used for many years. Carriers that can think creatively about new markets and potentially drastic changes to automotive technology and ownership will be the ones who are most likely to successfully navigate the path to the future.

"As the industry deals with continued uncertainty, technological advances, and constant demographic/cultural shifts, the enterprise risk management functions have become more integral to a customer's experience and confidence, as well as a company's solvency."

Elizabeth Ward, Executive Vice President & Chief Enterprise Risk Officer, Massachusetts Mutual Life Insurance Company

Business issue	***Implication***
Strategy (continued)	
Mergers and acquisitions Uncertainty in the US economy has continued to have a major impact on the insurance industry. The Federal Reserve's efforts to keep interest rates low have affected all industry sectors, which depend heavily on investment income for profitability and claims support. Despite positive expectations for increased insurance M&A activity, this has not translated into an increase in deal volume, as parties have struggled to reach agreement on key transaction terms, including valuation. One particular area of contention has been buyers' desire to acquire specific products or business lines, while sellers instead have been interested in a clean exit.	Overall, deal activity in the insurance industry has been restricted by uncertainty in the US and global economies, continued regulatory reform (including advancements of health reform and Dodd-Frank), tax reform, and resolution of budget challenges in Washington. While several insurers closed deals in 2013, there are a number of issues that negatively impact deal activity overall, including: investment yields will remain low; Solvency II; significant catastrophe-related losses may result in a stabilization of, or increase in, market pricing; and annuities continue to present investment opportunities.
Risk management	
RMORSA readiness and ERM effectiveness The National Association of Insurance Commissioners (NAIC) adopted the Risk Management and Own Risk and Solvency Assessment (RMORSA) Model Act, with an effective date of January 1, 2015. This is a fundamental shift in the regulatory scrutiny of the insurance industry's enterprise risk management (ERM) practices, and requires an "ORSA Summary Report" to be filed with the insurance commissioner in the lead state of domicile in 2015.	Companies that do not yet have a fully operational RMORSA strategy and process have much to gain, such as a better ratings agency view of their ERM framework, lower impact regulatory exams, better risk practices, and enhanced collaboration between actuaries and asset managers. The level of board engagement will need to increase for most insurers as the implementation date of the new RMORSA requirements approaches. Risk committees will have to have formal terms of reference in order to comply with the NAIC's expectation of governance structures that clearly define and articulate roles, responsibilities and accountabilities.



The uncertainty of US and global economies has adversely affected deal activity in the insurance industry.

Executive perspective

Property casualty insurers must stay one step ahead of customer needs to address evolving risks

Michael Klein
Executive Vice President, Business Insurance and President, Middle Market, Travelers

People are constantly finding new ways to manage the risks in their lives. Thousands of years ago the earliest traders would spread their contents across multiple boats when traveling treacherous waters to limit their loss from any single capsizing. Fast forward to the late 1990s, and the first insurance policy to protect against identity theft was introduced. Individuals and businesses alike are constantly thinking of new ways to prepare for the unexpected.

In September 2013, Travelers launched its first-ever Consumer Risk Index, an annual survey that provides insight into the types of risks the American public believe to be most prevalent in their daily lives. According to the Consumer Risk Index, 63 percent of Americans believe their world is becoming a riskier place. Among the top concerns: financial security, personal privacy loss, health issues, personal safety and severe weather.

Health ranked third highest on the Risk Index, with 60 percent of respondents saying they worry about the risk of serious health issues impacting them or their family. Consumers are not alone in their concern over health-related issues. A May 2012 survey of health care industry employers commissioned by Travelers found that the rapidly increasing cost of employee health care was by far their top concern.

People are worried about getting sick or injured, and employers are worried about being able to provide affordable health coverage to treat them. But why should an employer worry about their property casualty insurance with the increasing health care risks? Consider the following:

- More than 10,000 people will turn 65 every day for the next 20 years.
- By 2018, 25 percent of the workforce will be age 65 and older.
- 50 percent of all claims for employees over age 65 are related to slips, trips and falls.

Health care risks do not only impact employers' health insurance. Approximately $150 billion a year in U.S. health care spend is covered by property casualty insurers, from workers compensation programs to automobile and general liability coverages. A population that consumes more health care resources as they age means the potential for increased on-the-job injuries and liability claims.

In addition, more than 30 million new consumers will soon enter the U.S. health care system under the Patient Protection and Affordable Care Act, putting additional strain on already overstretched care providers. As demand is likely to increase over a fixed supply of providers, the cost of medical care will continue to skyrocket, and the power to negotiate volume-driven network discounts with health care providers is likely to wane as nearly 75 percent of physicians are projected to work for hospitals by 2014.

This convergence of an aging population, increasing health care costs, and a limited supply of physicians could mean increased lost time for injured workers and their employers as people have to wait longer to access medical care, along with bigger workers compensation payouts as both indemnity and medical costs increase; a double-whammy for businesses' bottom line. According to the National Council on Compensation Insurance, medical costs accounted for 47 percent of workers comp payout in 1989, but are projected to rise to 67 percent by 2019.

That is why innovative, customer-centric approaches are needed to address these emerging risks.

Travelers, for example, created a Medical Center of Excellence to help employers address rising health costs that are paid through their workers compensation, automobile, and general liability programs. It offers a wide variety of services, including a ConciergeClaim Nurse® program that provides nurses at selected medical clinics to support the injured employees' efforts to return safely to work, as well as the industry's first injured worker website that serves as an all-in-one resource for finding and navigating medical care. Backed by a vast medical data warehouse and predictive modeling capabilities, we are helping employers better control health care costs while improving employees' recovery times.

Risk will always be a part of our daily lives. However, property casualty insurers can play a valuable role in helping individuals and businesses prepare for what lies ahead by anticipating their needs and staying one step ahead of evolving risks.

"63 percent of Americans believe their world is becoming a riskier place. Among the top concerns: financial security, personal privacy loss, health issues, personal safety and severe weather."

Michael Klein, Executive Vice President, Business Insurance and President, Middle Market, Travelers

Business issue	***Implication***
Risk management (continued)	
A practical approach to contingent business interruption modeling and risk assessment Natural catastrophe (or "nat cat") modeling effectively began in the aftermath of Hurricane Andrew in 1992. Since then, both insurance companies and their insureds have had the benefit of risk models to guide decision-making on properties at-risk of nat cats such as hurricanes, earthquakes and tornadoes. As a result, the insurance industry is focused on modeling contingent business interruption (CBI) after the significant losses following storms, such as Hurricane Sandy and the Blizzard of 2013, both of which impacted Connecticut. The industry has recognized the need for a CBI model for some time, but, despite several notable attempts, no one has yet been able to produce one that adequately quantifies the dynamics of CBI risk.	Widespread adoption of a CBI model by both insurers and their insureds could result in added capacity to CBI insurance products, which would have two key benefits: (1) the added capacity would help to economically mitigate CBI risks for industrial clients and (2) a broader market for CBI insurance would provide a growth opportunity for certain P&C insurance companies, which could be significant in the current low interest rate/soft pricing environment. Simulation-based CBI models are applicable to both insurance companies and their clients. Configuration of a CBI model leverages the business impact analysis (BIA) that many industrial firms are currently conducting. Widespread use of the model could result in new CBI insurance products, thereby providing a P&C growth opportunity.
Operations	
Transforming billing and payments Customer billing and payments are as much an opportunity to provide excellent customer service as they are a core operational and accounting function. Leading companies leverage their billing and payments process to achieve far more than just the collections of premiums; they use techniques to forge stronger customer relationships and gain greater insight into customer wants and needs. A strong customer billing process is customer-centric and is the primary communication between customers and the company. Moreover, high quality billing and payments provide carriers the opportunity to deliver important marketing, sales and other information the company feels would benefit its customers, as well as to demonstrate the company's commitment to their satisfaction.	As customers become more comfortable with self-service through web portals and smartphone applications, their expectations of billing offerings are increasing. By combining a customer-centric view of the billing process and applying the most effective technologies and tools available, insurance carriers are significantly streamlining their billing processes, reducing costs, reducing errors and enhancing customer satisfaction and loyalty. The most competitive carriers are aggressively investing in and adopting an active billing management program to drive a superior customer experience. Adding capabilities via technology and process transformation can improve the effectiveness of the billing process and promote leading practices in several key areas. By providing features not available to most legacy architectures, a transformation can offer insurers a competitive advantage.

Executive perspective

Managing risk in uncertain times

Elizabeth Ward
Executive Vice President &
Chief Enterprise Risk Officer,
Massachusetts Mutual Life
Insurance Company

Uncertainty is the primary challenge to our economy. As the Chief Risk Officer of a 162-year-old mutual insurance company, uncertainty is something that is always on my mind, and these uncertain times affect how insurance companies manage their businesses. The role of Chief Risk Officer and the Enterprise Risk function which I lead is to ensure that customers who purchase policies can rest easily knowing that the company will still be around in the future to pay the policy benefits.

In addition to uncertainty, we also see how the rapid evolution in technology and continuing demographic and cultural shifts have resulted in customers learning about, purchasing, and servicing their insurance and financial service needs differently. As large institutions—insurance companies, banks, and even the government—encounter growing skepticism, an increasing number of customers will conduct their own research independently and consider more options. When a company's offerings or reputation do not meet their demands, customers have a variety of options for both providers and products. Therefore, the most successful companies must relentlessly focus on both winning their customers' faith and trust and providing a seamless, customized customer experience by tailoring solutions to customer demands and needs.

As the industry deals with continued uncertainty, technological advances, and constant demographic/ cultural shifts, the enterprise risk management functions have become more integral to a customer's experience and confidence, as well as a company's solvency. Effective Enterprise Risk Management develops effective surveillance and tools to identify and understand the risks that may impact the company's long-term strategy and financial capability to meet customer obligations and to manage risks effectively. It is important to note that risk is inherent in every business decision—for without risk, there is no reward. However, effective risk management function ensures that the decision makers have been made aware of risks, have mitigated said risks, and have fully considered those risks in making informed decisions.

The development of insurers' risk management capabilities is advancing rapidly in light of the National Association of Insurance Commissioner's (NAIC) adoption of the Risk Management and Own Risk and Solvency Assessment (ORSA) Model Law. The NAIC finalized the ORSA guidance in 2012, and U.S. insurers will be required to complete their first ORSA filing in 2015. The ORSA will require the insurer to summarize its risk management framework and capabilities, provide its qualitative and quantitative assessment of the risks in both a normal and stressed environment, while demonstrating that the insurer has sufficient current and future capital to support the identified risks. What is unique about ORSA is the fact that each ORSA will be tailored to the risk and risk framework of the specific company, as The NAIC believes each company's ORSA should reflect the risk unique to its business profile.

We at MassMutual are proud of our 162-year history of helping our customers through uncertain and changing times. As of last year, MassMutual had more than 100,000 policies in force for more than 50 years. We realize that effective risk management helps to ensure that we will be able to honor our long-term commitments to our policyholders, as we look forward to continuing our relationship with today's policyowners for at least another 50 years and beyond.

Executive perspective

The "New Frontier" for insurers: Managing the challenges of low interest rates and increasing regulatory scrutiny

Woody Bradford
Chief Executive Officer, Conning

Globally, insurance executives are facing two key issues that significantly affect their investment portfolios and strategies. The first is the low interest rate environment, and the second is evolving recognition of risk in the investment process as part of a broader consideration of enterprise risk for the industry. These issues are increasingly interconnected. Successful insurers are adopting different approaches to navigate this "New Frontier."

These two issues have been emerging for more than a decade, but have accelerated in recent years. Interest rates have been compressed by central bank actions on a global scale. At the same time, a broader recognition of risk has developed among regulators, rating agencies, and the investment community. This puts enormous pressure on insurance companies, and forces them to think differently about how to manage their businesses, portfolios, and risks.

From a regulatory standpoint, historical considerations of risk have been dominated by rules-based frameworks and accounting conventions. These frameworks and conventions emphasized steady income and smoothed the market volatility associated with fixed income investments. As a consequence, many insurance company portfolios have followed a buy and hold, long only, stable fixed income-oriented asset allocation strategy. Falling interest rates have limited insurers' ability to increase yield and net investment income. In response, some insurers have been increasing investment income by lengthening duration and reducing credit quality, heightening their exposure to the seemingly inevitable increase in interest rates and negative credit events.

But the risk and regulatory frameworks are changing. The traditional rules-based models (e.g., risk-based capital charges) have been transitioning to more flexible principles-based frameworks (e.g., ORSA). At the same time, regulators and rating agencies are beginning to focus more on economic capital rather than traditional accounting surplus metrics for assessing risk and solvency. Under these emerging frameworks, insurers will have the opportunity to change their traditional approaches and more closely align their investment portfolios with their financial objectives and risk appetites, better positioning their portfolios to meet investment objectives going forward.

As a result, insurance executives are increasingly considering a risk-adjusted return on capital approach. There is an increased focus on hedging, diversification within and across asset classes, and a more economically efficient asset allocation strategy for the entire portfolio. Beyond the simple interactions among asset classes, investment portfolios are taking into consideration the behavior and correlations of assets and liabilities, along with the entire capital structure and full range of product offerings, not just the total returns on specific asset classes.

At the same time, asset classes traditionally considered risky (i.e., high capital charge assets) are increasingly being structured by insurance industry investment specialists to meet the unique needs of the insurance industry. The industry will need to look beyond traditional fixed income, toward non-core asset classes and alternative investments. Industry data have shown increasing adoption of specialty asset classes that offer the potential for increased return or improved portfolio efficiency, while addressing the specific regulatory or accounting requirements faced by insurers.

In this "New Frontier" for insurers, different portfolio approaches are necessary, possible, and potentially attractive. Insurers are considering a broader range of investment choices, but to be successful, insurers need specialized expertise. They are developing enterprise-wide solutions that address a range of investment opportunities, focus on risk-adjusted returns on capital, enhance income in a low rate environment, and fit within a constantly evolving regulatory framework.

Consumers will increasingly interact with insurers through smart phone interfaces which will make doing business faster and more efficient.

Business issue | **Implication**

Operations (continued)

Improving the claims function

Business issue

Insurers are investing billions of dollars to improve claims functions, including new technologies and processes to help them manage the torrent of data that has become available in recent years and improve the claims process. To manage costs and increase claimant satisfaction, carriers are refining how they manage vendor relationships and embracing new technologies that promise more usable insight into customer behavior and expectations.

To maximize their investment, insurers are consolidating vendor work orders, estimates, invoices and customer feedback scores into databases in order to track, analyze and manage vendor performance and enhance the overall claims outcome. Carriers can use systematic performance data to make vendor selections and manage service fulfillment throughout the claims lifecycle. Since vendor management also is a critical skill for claims adjusters, analysis of the adjuster's role also can be assessed as part of the process.

Implication

Insurers will continue to evaluate the value in their Third Party Administrator (TPA) relationships. Establishing a TPA management program will drive renegotiation of existing TPAs, as well as inform due diligence, contracting and auditing of new TPA agreements. As a greater amount of consolidated data becomes available to management and decision makers, TPA management has the potential to improve, perhaps significantly. In-house staff will be able to work more easily with TPAs through better integrated systems, and TPA evaluation metrics will become more detailed and monitor key aspects of TPA performance.

Combining sensor and drone data with advanced geo-location engines will allow insurers to produce highly descriptive displays that provide real-time feedback on major events, and enable them to monitor damage to insured property and causes of damage. Insurers also could use these systems to automatically assign adjusters and estimate losses, as well as coordinate the contacting of customers and the claims process. More importantly, these systems may help to proactively address risks and mitigate loss during a claim event. As a result, unique service offerings and policy riders are likely to become part of retail homeowners coverage.

Interaction with customers through smart phone interfaces will become an increasingly common part of insurance customer service. It will make doing business faster and more efficient not just for policyholders, but also carriers, and thereby recoup the technology and systems investment necessary to develop and implement new capabilities. New systems and automated processes are emerging to complement existing CTI, web, and social media practices, thereby improving customer experience.

"Industry data have shown increasing adoption of specialty asset classes that offer the potential for increased return or improved portfolio efficiency, while addressing the specific regulatory or accounting requirements faced by insurers."

Woody Bradford, Chief Executive Officer, Conning

Business issue	***Implication***
Financial reporting and tax compliance	
Are you ready for the new standard valuation law and principles based reserves? In December 2012, the NAIC voted to adopt the current version of the Valuation Manual, recognizing that the manual will see some modifications in coming months. This was a first and crucial regulatory step in the move to principles based reserves (PBR) for life products. This adoption now enables state legislatures to include the revised Standard Valuation Law, which incorporates the Valuation Manual, in their legislative proceedings beginning this year, a crucial date because all legislatures will be in session. If adoption occurs on a timely basis, then the revised Standard Valuation Law and Valuation Manual will potentially be in effect for new issues beginning January 2015.	PBR may not be effective until year-end 2015, but the timeframe for implementation is actually quite short for the amount of effort involved. – PBR is a fundamental and comprehensive change to the way companies perform valuation. – PBR is occurring in an environment in which there are many competing demands for actuarial resources (including ORSA development and, quite possibly, a new insurance contracts standard for GAAP reporting). – As companies begin to plan for their adoption of PBR, they are frequently surprised by the amount of effort it requires.
The insurance contracts exposure draft—here at last? The FASB and IASB each issued an exposure draft (ED) in June describing proposals that would fundamentally change the accounting by insurers and other entities that issue contracts with insurance risk. The exposure drafts each have an approximate 120 day comment period. – Among other things, the proposals would apply to contracts rather than entities; a current value liability would be reported based on expected premiums, claims, and expenses, discounted using a liability rate; increases and decreases in the liability caused by changes in discount rates would be recorded in other comprehensive income; expected losses (but not expected profit) would be immediately recognized. – Given the significance of the proposals, entities should assess their potential impact on financial results, product design, systems, and investor reporting, and consider commenting on the proposals. – The FASB and IASB have not determined when each of their proposed standards, if finalized, might be effective, although the IASB said that it will be no sooner than approximately three years from issuance of a final standard. Both boards are targeting the end of 2014 or beginning of 2015 for a final standard.	Although final standards may not be effective until 2017-2019, retrospective application will be required, with certain practical expedients. Companies that understand the impacts and challenges will be better placed to act on opportunities and make informed strategic business decisions. The FASB and IASB proposals would represent a transformational change in the way that insurance contracts are measured and reported in the financial statements. The formal comment period on the proposals is this year, and may be the final opportunity for industry stakeholders to influence the proposed accounting standards. Companies should ensure they have analyzed potential impacts and are prepared to respond to them.

Business issue	*Implication*
Financial reporting and tax compliance (continued)	
Tax compliance While there was little in the way of insurance-specific legislation in 2012, the Obama Administration's increased interest in and action on tax reform, and its possible impact on insurance companies, is certainly of great importance to the insurance industry. Some proponents see tax reform as an opportunity to improve the competitiveness of American businesses, attract investment to the United States, and increase job growth. Others—eyeing projections of significant future deficits—believe tax reform could be an important element of an overall deficit reduction package in which spending cuts are combined with revenue increases.	Insurers should closely monitor legislative developments pertaining to taxation of overseas profits, and depending on what transpires, re-evaluate their incentives to shift and leave profits offshore. The Obama Administration's business reform framework includes several possible revenue-increase measures specific to insurance companies, and life products in particular. Insurers will need to stay abreast of the status of these measures both in order to address them internally and educate their policyholders on their potential implications. On the administrative side, there was little published tax guidance from the Internal Revenue Service (IRS) and Treasury in the insurance space; however, as it has done in prior years, the IRS issued its Priority Guidance Plan for the 2012-2013 year. The Plan continues to focus more on life than property and casualty insurance companies. This year's Plan addresses a variety of issues, and also indicates that implementing health care reform law will continue to be a major priority for the IRS.

Insurance companies need to stay abreast of the Obama Administration's business reform framework and educate policy holders.

"When we have strong relationships across the broad spectrum of health care stakeholders—schools, community centers, patient advocacy groups, individuals and families, employers, physicians and hospitals, government policymakers and pharmaceutical and life sciences firms—we can better understand and serve their health care needs in the most impactful ways."

Jeffrey D. Alter, Chief Executive Officer, UnitedHealthcare Employer & Individual

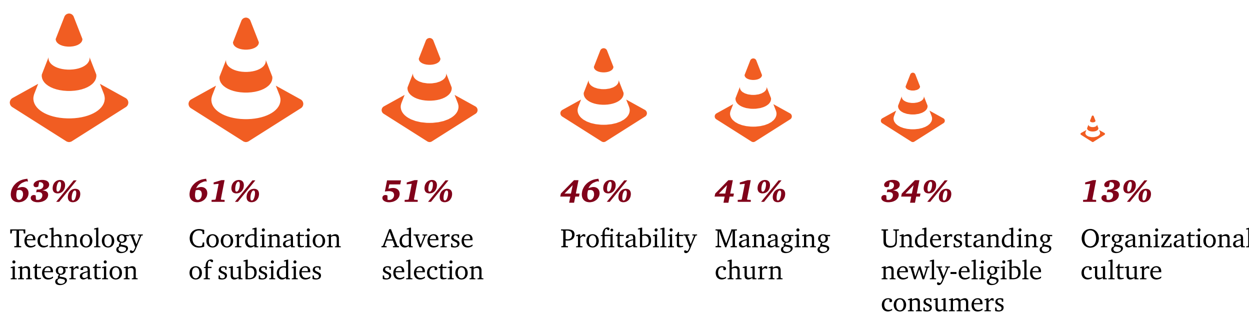
Business issue	***Implication***
Health reform	
States on the frontlines of ACA implementation The 2010 Affordable Care Act (ACA) established online health insurance marketplaces, better known as exchanges, to enable individuals and small businesses to shop for coverage. Exchanges and expansion of the joint federal-state Medicaid program are the two primary ways the law expands coverage. Exchanges in fifty states and the District of Columbia opened on October 1, 2013, and coverage takes effect on January 1, 2014. The first open enrollment period runs until March 31, 2014. In future years, open enrollment will end on December 31. Under the ACA, states were allowed to decide whether to run their own exchanges, or let the federal government take the reins. The federal government approved 17 states, including Connecticut, and the District of Columbia to operate their own exchanges in the first year, while seven states will participate in an official partnership exchange. Utah will run its own small business exchange, while the federal government will run its individual exchange. The remaining states will default to the federally facilitated exchange. At the start, the individual exchange may pale in comparison to the employer-based insurance market. Perhaps seven million Americans will shop on the individual exchanges in 2014, compared to 157 million people covered through the workplace.[64] However, the new market offers an intriguing opportunity for insurers to conduct early tests and position themselves in a changing landscape. Connecticut's health insurance exchange, Access Health CT, opened for enrollment October 1 with a "mission to increase the number of Connecticut residents who are insured, lower their costs, promote health, and eliminate obstacles to getting health care." It is still too early to measure actual enrollment and other success factors (refer to *Measuring Success in the Exchanges* later in this document).	Like any new venture, State exchange leaders will need to continue to stabilize operations and learn and adapt to evolving circumstances. They should involve stakeholders and conduct thorough research on consumer needs and issues, then design targeted outreach and education programs using many communication channels. States also need to hone IT capabilities and performance. Healthcare companies should get to know their new customer base and be prepared to deal with distinctive challenges, such as language barriers and churn-cycling between exchange plans and Medicaid. Consumers will be shopping on price and health plans should redouble efforts to improve value. Attracting a new member can be more expensive than keeping one, so insurers need to invest big in retention strategies. They should also closely monitor how states are interpreting new rules and regulations, and stay in close communication with state officials as they build their regulatory capacity.

“People are worried about getting sick or injured, and employers are worried about being able to provide affordable health coverage to treat them. ”

Michael Klein, Executive Vice President, Business Insurance and President, Middle Market, Travelers

Business issue	***Implication***
Health reform (continued)	
Caring for the nation’s most vulnerable: Dual eligibles Dual eligibles—individuals eligible for both Medicare and Medicaid coverage—are among the nation’s sickest and poorest. “Duals,” as they are commonly referred to, often fall through the cracks of two programs not designed to work together. The result is a lack of coordination that often leads to poor quality, inefficiency, and avoidable costs. With the Affordable Care Act (ACA) set to add 16 million people to the Medicaid rolls by 2019, the number of “duals” is certain to increase. Cash-strapped states are increasingly turning to the expertise of managed care companies to tackle skyrocketing dual eligible costs.	In assuming risk for duals, managed care organizations should carefully consider the cost effectiveness of current operations and how they can innovate care delivery to manage costs. Some duals may be receptive to using digital communication for diabetes maintenance, weight management, disease management, and chronic care programs. Plans and providers should fill education and awareness gaps to improve areas such as medication adherence as some duals are participating in a prescription assistance program in which they can take advantage of free samples, discount cards, and coupons. States and insurers should track progress of demonstrations on reimbursement versus medical cost trends, unique contracting mechanisms between managed care and providers, care management program efficacy, and effective coordination of clinical and non-clinical services such as transportation, meal service, and in-home assistance. With long-term care support services accounting for 70% of state Medicaid spending on duals, plans deciding to increase those offerings must determine the most cost effective operating structure such as setting up in-house coordination and referral services, partnering with state, county, and community organizations, or outsourcing to a specialty provider.

Insurance executives see technology integration as the biggest barrier to exchange implementation*



*Of those participating in exchanges.
Source: Health Research Institute 2013 insurance executive survey

"As carriers continue to invest in customer-experience initiatives and tools, the industry has an opportunity to enhance every touch point and empower the consumer and advisor..."

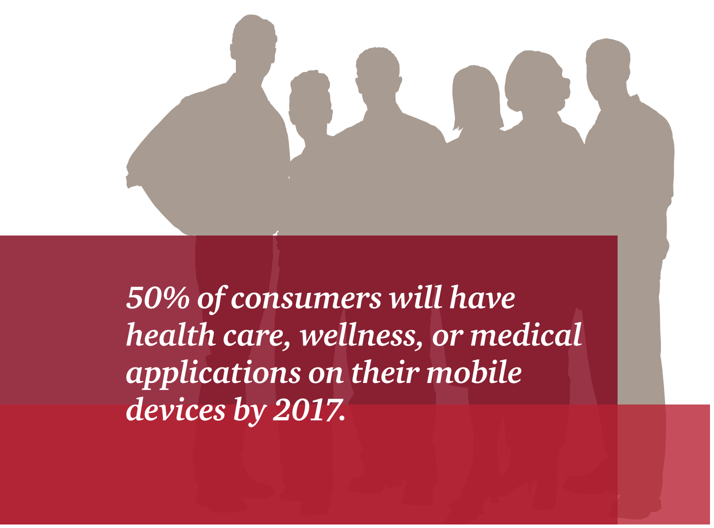
Michael J. Burns, Senior Vice President, Life Solutions, Lincoln Financial Group[65]

Measuring success in the exchanges

		Questions	Success measures
Customer experience (external)	Beginning	• How much do I know about potential customers? • How am I reaching them? • Am I growing my business? • Am I attracting a successful enrollee mix?	• Membership growth • Increase in per-member profits
	Middle	• How happy are my customers? • How good am I at identifying at-risk members and preventing adverse events? • How easy is it for members to access price, cost, and quality data? • How do I measure feedback? • How is feedback translated into performance improvement?	• High exchange quality and consumer satisfaction scores • High and/or increasing member retention rates • Low and/or declining rate of preventable adverse events • Increase in per-member profits
	End	• Why are members leaving? • What is the return rate? • Am I collecting exit data? • How am I using exit data to improve the member experience?	• Members purchase new product under same company (i.e., Medicaid plan) • Low and/or declining attrition rates
Operational (internal)		• Are IT systems able to connect with state, federal exchanges? • Do I have an effective exchange compliance program that covers privacy and security, reporting, communications, and operations requirements? • Do I have strong data analytics and mobile strategies?	• Ability to send and receive compliant data transactions with state and federal parties • State and HIPAA-compliant privacy and security programs • Compliant data reporting and member communication • Uptick in member use of mobile technology

Source: PwC Health Research Institute

Business issue	Implication
Health reform (continued)	
Bigger than benefits: Employers rethink their role in health care Healthcare and employers—inseparable? Maybe not. With the Supreme Court ruling to uphold the Affordable Care Act (ACA) and the president's re-election, employers have never had a better opportunity to re-examine their long term role in providing health care coverage. We have already begun to see a migration from employer-sponsored health insurance to public and private exchanges, signaling that 2013 will likely be the turning point for the evolution of health care benefits over the next decade.	Employers must determine their role in health care and develop a transition strategy to support it, whether they transition out, move to private exchanges with defined contribution, or change their coverage practice of certain classes. Employers should stay in close communication with policy makers as they make technical corrections to the ACA, including the health care benefits tax exclusion, and tackle the perpetual federal budget crisis. Insurers and providers should anticipate a changing insurance marketplace where employers increasingly participate in and defer to organized health insurance marketplaces such as the public and private exchanges. New delivery systems (e.g., accountable care organizations) should engage leading employers and employer coalitions to become accountable partners to deliver improved value and enhance employee population health and related productivity.
Consumerism	
Consumer revolution in health coverage Health insurance is about to witness a consumer revolution. Promises of Amazon-style online experiences for individuals shopping for health insurance will be put to the test in 2013, when 12 million people are expected to enroll in insurance exchanges. With consumers demanding a greater say in how they spend their health care dollars, and the development of state insurance exchanges, health insurers are re-thinking business strategy moving forward. Consumers are also demanding a greater say in how they spend their health care dollars, and that, along with the development of state insurance exchanges, is prompting the industry to compete differently. Healthcare consumers can expect to see a shift in the marketplace as insurers borrow three key practices from the retail industry: convenience, transparency, and customer insights.	Consumer expectations for flexibility and transparency should spur insurers and employers to offer intuitive navigation assistance and better comparison shopping tools. With price-sensitive customers and a competitive generic drug market, pharmaceutical companies can enhance brand loyalty through patient assistance programs such as drug discount and coupon programs. The country's seismic shift toward a more digitized way of life has not overlooked the health industry. Examples abound in areas such as digitized health records, widespread e-prescribing, and rising clinician-patient communication via email and text.[66] Insurers need a digital strategy that supports all facets of the health insurance experience—from education and enrollment to customer service and retention. Consumers' appetite for mobile health apps is growing. While HRI consumer research showed that 13% of consumers had health care, wellness, or medical applications on their mobile devices in 2012, new estimates by Research and Markets show 50% of consumers will have these apps by 2017. With the large influx of newly insured into the market through the exchanges, demand for mobile tools will rise.



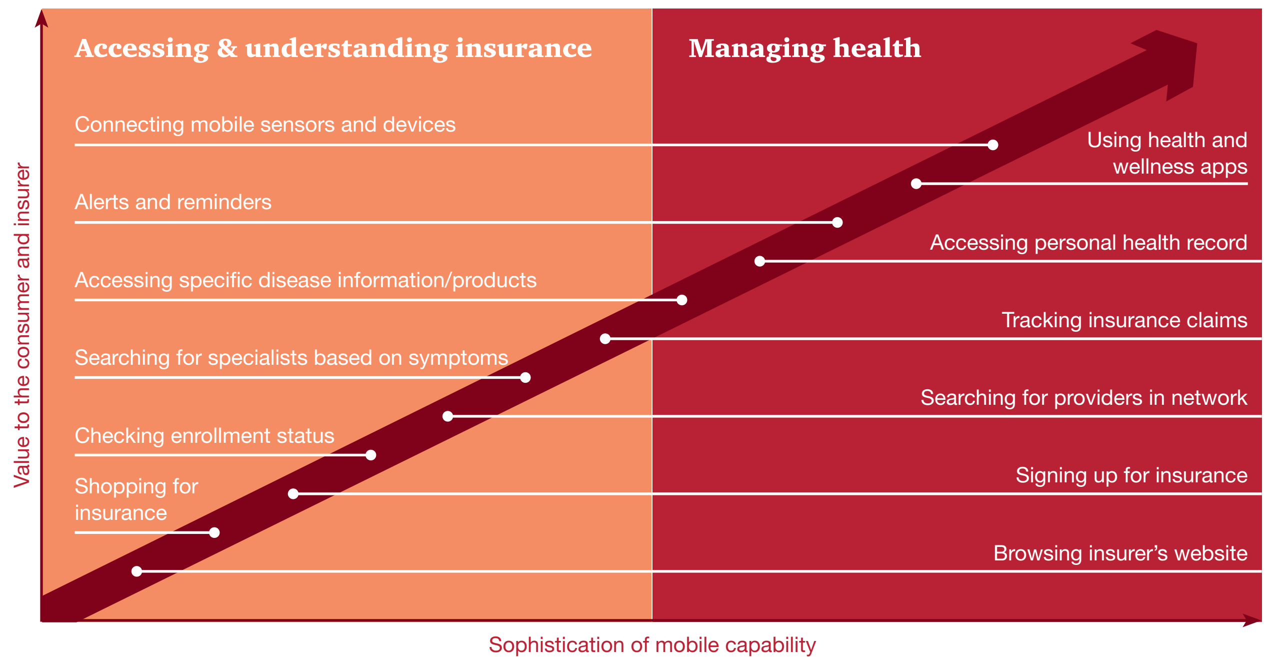
50% of consumers will have health care, wellness, or medical applications on their mobile devices by 2017.

"When a company's offerings or reputation do not meet their demands, customers have a variety of options for both providers and products. Therefore, the most successful companies must relentlessly focus on both winning their customers' faith and trust and providing a seamless, customized customer experience by tailoring solutions to customer demands and needs."

Elizabeth Ward, Executive Vice President & Chief Enterprise Risk Officer, Massachusetts Mutual Life Insurance Company

Business issue	***Implication***
Consumerism (continued)	
Customer ratings hit the pocketbooks of health care companies Paying for performance takes on new meaning as consumer reviews generate penalties and bonuses for hospitals and insurers. This could mean a bonus payout of more than $3 billion for insurers and a hold back of $850 million for providers in 2013. The program is known as the Medicare Advantage Star Quality rating system and it relies on consumer input for nearly half of its quality measures. As health care companies develop new ways to raise their quality scores through improved consumer service, they need to consider how consumers use and contribute to the increasing amount of quality data.	Providers and health insurers should educate consumers on quality metrics and how to interpret and use the scores. Moving beyond surveys and using consumer research to get a more complete picture of consumers and their health needs will be a differentiator for industry leaders. Establish a well-integrated and thoughtful consumer program that ties in with business needs. Insurers and providers have shifted hiring practices to include individuals who have the skills and talents to connect with consumers and understand how to collect and use customer data.

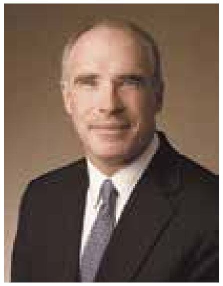
How mobile capabilities can deliver value for exchange customers and help retain them



Source: PwC Health Research Institute

Executive perspective

Collaboration is the foundation of a better consumer health care experience



Jeffrey D. Alter
Chief Executive Officer,
UnitedHealthcare
Employer & Individual

As health care becomes increasingly complex, it is our responsibility to develop practical innovations that simplify the consumer health care experience; help members get the most out of their health benefits; empower doctors, patients, employers and policymakers to make better health care decisions; and make high-quality health care more accessible and more affordable for more Americans.

Collaboration is the foundation of practical health care innovation. When we have strong relationships across the broad spectrum of health care stakeholders—schools, community centers, patient advocacy groups, individuals and families, employers, physicians and hospitals, government policymakers and pharmaceutical and life sciences firms—we can better understand and serve their health care needs in the most impactful ways.

At UnitedHealthcare, our innovations encompass a variety of thoughts and perspectives that reflect the diversity of our markets, partners, customers and workforce. As a result, we are personalizing and simplifying consumers' health care experiences through every stage of life, strengthening patient—physician bonds and streamlining and modernizing care for better quality and affordability across the board.

Paying medical bills and managing health care expenses in one convenient location. myClaims Manager, available to more than 21 million UnitedHealthcare plan participants nationwide, is a secure, online electronic bill-payment service that enables consumers to pay their medical bills and manage their health care claims and related expenses all from one location. The new service enables consumers to pay medical bills electronically by entering their credit card, debit card, health savings account, or bank account information, adding convenience for consumers while helping health care providers get paid faster and easier. UnitedHealthcare is the first national insurance carrier to offer plan participants online bill-payment capabilities that are fully integrated with their online claim information.

Reducing childhood obesity with an "Exergame." At the 2013 International Consumer Electronics Show (CES), UnitedHealthcare and KONAMI Digital Entertainment, Inc. announced a joint effort to reduce childhood obesity through KONAMI's new DanceDanceRevolution (DDR) Classroom Edition, the latest iteration of the wildly popular dance game that has shown to encourage physical activity among adults and children.

DDR Classroom Edition is an interactive video game, also known as an "exergame," that combines physical activity with energetic music and visuals. The game and associated hardware technology, which was developed by Performance Designed Products, enables up to 48 students to participate simultaneously, using wireless mat controllers that feature a smart card reader that tracks each student's individual progress. While students move to the beat, teachers receive vital information about their students' health including, steps, body mass index (BMI) and caloric burn rate. KONAMI and UnitedHealthcare launched the game at three schools and will assist them in tracking its impact on students' health, well-being and exercise habits.

The program builds on UnitedHealthcare's deep expertise in developing practical solutions to control childhood obesity, including collaborations with school systems nationwide. This latest collaboration will also be incorporated into 'Activate for Kids,' a school wellness initiative operated by UnitedHealthcare and United Health Foundation.

Driving effectiveness and affordability. Health Plan Manager enables customers to better understand their data to ensure that we can partner to drive affordability and more effective member engagement. Based on fully-integrated member level data organized around financial, clinical and individual decision making metrics, Health Plan Manager is a unique analytical resource to evaluate plan performance and suggest opportunities for future cost savings and includes an innovative and intelligent user interface enabling flexibility to segment data by dozens of attributes to identify new subsets of opportunity.

Additionally, UnitedHealthcare has a well-established Patient Centered Medical Home relationship with 70-plus ProHealth primary sites serving more than 15,000 members in Connecticut where additional funding through care management fees has helped drive transformation. Results show this partnership has generated $15 million in savings in the first two years of our three-year partnership while improving quality and patient experience.

Together, through collaboration and personal relationships, we can add purpose to innovation and simplify consumers' health care experience while improving their quality of life.

Business issue	Implication
Population health management	
The building blocks of population health management Medicare's accountable care organization (ACO) and patient-centered medical home initiatives have laid a foundation for improving population health, but other collaborations are fueling growth in population health management. Population health management shows potential in the quest for better health at a lower cost by creating an integrated system of care, rather than fend-for-self medicine. We expect to see more partnerships as companies build their population health infrastructure to include shared responsibility for patient outcomes and satisfaction, data collection and analysis, member education and engagement, and a focus on at-risk populations.	Population health management requires major investments over multiple years—and requires trial and error. To achieve scale, convergence and consolidation must accelerate among otherwise disparate players. The push for higher quality and value requires standardization of processes and the ability to continually improve, or risk losing reimbursement. Collaborations need a strong technology foundation, including web-based reporting tools that connect to clinical, financial, and administrative systems. Systems must support analytics across a wide spectrum of inpatient, outpatient, post-acute, and community services.

Connecticut's insurance companies have enormous strength and are well positioned to address these challenges in a way that provides leadership to the national and global markets.

Connecticut Insurance and Financial Services Cluster members

A snapshot of each of the CT IFS Cluster corporate sponsors is provided on the following pages.

Aetna Inc.

National/Worldwide	
Chief Executive	Mark T. Bertolini
Headquarter location	Hartford, CT
Number of employees	49,000
2012 total revenues	$35.54 billion
Website	www.aetna.com
Connecticut	
Connecticut Chief Executive	Mark T. Bertolini
Primary location	Hartford, CT
Number of employees	6,400

AIX Group, a member of Hanover Insurance Group

National/Worldwide	
Chief Executive	Frederick H. Eppinger, President and Chief Executive Officer, The Hanover Insurance Group
Headquarter location	Worcester, MA
Number of employees	5,000
2012 total revenues	$4.6 billion
Website	www.hanover.com
Connecticut	
Connecticut Chief Executives	Bob Schultz, President AIX Group Kelly Stacy, Regional President, The Hanover
Primary locations	Windsor, CT Glastonbury, CT
Number of employees	200

Bank of America

National/Worldwide	
Chief Executive	Brian Moynihan
Headquarter location	Charlotte, NC
Number of employees	257,000
2012 total revenues	$115 billion
Website	www.bankofamerica.com
Connecticut	
Connecticut Chief Executive	Kevin Cunningham
Primary location	Hartford, CT
Number of employees	Over 3,500

Catlin US (Catlin Group Limited)

National/Worldwide	
Chief Executive	Stephen Catlin (Catlin Group)
Headquarter location	Hamilton, Bermuda
Number of employees	2,050
2012 total revenues	$5 billion
Website	www.CatlinUS.com

Connecticut	
Connecticut Chief Executive	Nicholas Greggains (Catlin US)
Primary location	Hartford, CT (Catlin US)
Number of employees	30

ConnectiCare

National/Worldwide	
Chief Executive	Michael Wise
Headquarter location	Farmington, CT
Number of employees	575
2012 total revenues	$1.2 billion
Website	www.connecticare.com

Connecticut	
Connecticut Chief Executive	Michael Wise
Primary location	Farmington, CT
Number of employees	575

Conning

National/Worldwide	
Chief Executive	Woody Bradford
Headquarter location	Hartford, CT
Number of employees	274
Website	www.conning.com

Connecticut	
Connecticut Chief Executive	Woody Bradford
Primary location	Hartford, CT
Number of employees	221

First Niagara Financial Group

National/Worldwide	
Chief Executive	Gary M. Crosby, Interim President & Chief Executive Officer
Headquarter location	Buffalo, NY
Number of employees	6,000
2012 total revenues	$1.5 billion
Website	www.Firstniagara.com

Connecticut	
Connecticut Chief Executive	David V. Ring, President, New England Region and Head of Enterprise Banking
Primary location	New Haven, CT
Number of employees	850

The Hartford Financial Services Group, Inc.

National/Worldwide	
Chief Executive	Liam E. McGee
Headquarter location	Hartford, CT
Number of employees	20,000
2012 total revenues	$26.4 billion
Website	www.thehartford.com

Connecticut	
Connecticut Chief Executive	Liam E. McGee
Primary location	Hartford, CT
Number of employees	7,700

The Hartford Steam Boiler Inspection and Insurance Company

National/Worldwide	
Chief Executive	Greg M. Barats
Headquarter location	Hartford, CT
Number of employees	2,450
2012 total revenues	$1.1 billion
Website	www.hsb.com

Connecticut	
Connecticut Chief Executive	Greg M. Barats
Primary location	Hartford, CT
Number of employees	440

ING US

National/Worldwide	
Chief Executive	Rodney Martin
Headquarter location	New York, NY
Number of employees	7,000
2012 total revenues	$9,615.3 million
Website	http://ing.us.
Connecticut	
Connecticut Chief Executive	Maliz Beams
Primary location	Windsor, CT
Number of employees	1,750

Insurity, Inc.

National/Worldwide	
Chief Executive	Jeffrey Glazer
Headquarter location	Hartford, CT
Number of employees	500
Website	www.insurity.com
Connecticut	
Connecticut Chief Executive	Jeffrey Glazer
Primary location	Hartford, CT
Number of employees	350+

KPMG LLP

National/Worldwide	
Chief Executive	John B. Veihmeyer
Headquarter location	New York, NY
Website	www.kpmg.com
Connecticut	
Connecticut Chief Executive	Richard P. Caporaso
Primary locations	Hartford, CT Stamford, CT
Number of employees	Approximately 410

Lincoln Financial Group

National/Worldwide	
Chief Executive	Dennis Glass
Headquarter location	Radnor, PA
Number of employees	8,300
2012 total revenues	$11.5 billion
Website	www.lincolnfinancial.com
Connecticut	
Connecticut Chief Executive	Laura Dambier
Primary location	Hartford, CT
Number of employees	600

Massachusetts Mutual Life Insurance Company

National/Worldwide	
Chief Executive	Roger W. Crandall
Headquarter location	Springfield, MA
Number of employees	6,700
2012 total revenues	$26.71 billion
Website	www.massmutual.com
Connecticut	
Connecticut Chief Executive	Elaine Sarsynski
Primary location	Enfield, CT
Number of employees	1,500

Northwestern Mutual

National/Worldwide	
Chief Executive	John E. Schlifske
Headquarter location	Milwaukee, WI
Number of employees	5,000
2012 total revenues	$25 billion
Website	www.northwesternmutual.com
Connecticut	
Connecticut Chief Executive	Jeffrey Zuzolo
Primary location	West Hartford, CT
Number of employees	300

Nutmeg State Federal Credit Union

National/Worldwide	
Chief Executive	John D. Holt
Headquarter location	Rocky Hill, CT
Number of employees	85
2012 total revenues	$357 million
Website	www.nutmegstatefcu.org
Connecticut	
Connecticut Chief Executive	John D. Holt
Primary location	Rocky Hill, CT
Number of employees	85

People's United Bank

National/Worldwide	
Chief Executive	Jack Barnes
Headquarter location	Bridgeport, CT
Number of employees	Approximately 5,500
2012 assets	Over $30 billion
Website	www.peoples.com
Connecticut	
Connecticut Chief Executive	Michael Casparino
Primary location	160 Connecticut branches
Number of employees	Over 2,600

The Phoenix Companies, Inc.

National/Worldwide	
Chief Executive	James D. Wehr
Headquarter location	Hartford, CT
Number of employees	600
Website	www.phoenixwm.com
Connecticut	
Connecticut Chief Executive	James D. Wehr
Primary location	Hartford, CT
Number of employees	350

PricewaterhouseCoopers LLP

National/Worldwide	
Chief Executive	Robert Moritz
Headquarter location	New York, NY
Number of employees	180,000
2012 total revenues	$11,041 million
Website	www.pwc.com
Connecticut	
Connecticut Chief Executives	Keith Hubert (Hartford) Laurie Schupmann (Stamford)
Primary locations	Hartford, CT Stamford, CT
Number of employees	809

Prudential Financial, Inc.

National/Worldwide	
Chief Executive	John Strangfeld
Headquarter location	Newark, NJ
Number of employees	48,000
2012 total revenues	$84.8 billion, Prudential Financial $36.6 billion, Prudential Retirement
Websites	www.prudential.com www.retire.prudential.com
Connecticut	
Connecticut Chief Executives	Christine Marcks, President, Prudential Retirement Robert O'Donnell, President, Prudential Annuities
Primary locations	Hartford, CT (Retirement and Life) Shelton, CT (Annuities)
Number of employees	1,939

Robinson & Cole LLP

National/Worldwide	
Chief Executive	John Lynch, Managing Partner
Headquarter location	Hartford, CT
Number of employees	425
2012 total revenues	$108.5 million
Website	www.rc.com
Connecticut	
Connecticut Chief Executives	John Lynch, Managing Partner
Primary location	Hartford, CT
Number of employees	265

The Travelers Companies, Inc.

National/Worldwide	
Chief Executive	Jay Fishman
Headquarter location	New York, NY
Number of employees	30,000
2012 total revenues	$25.7 billion
Website	www.travelers.com
Connecticut	
Connecticut Chief Executives	Brian MacLean
Primary location	Hartford, CT
Number of employees	7,400

UnitedHealthcare

National/Worldwide	
Chief Executive	Stephen Hemsley
Headquarter location	Minnetonka, MN
Number of employees	100,000
2012 total revenues	$111 billion
Website	www.uhc.com
Connecticut	
Connecticut Chief Executives	Mike Matteo
Primary location	Hartford, CT
Number of employees	4,200

Vantis Life Insurance Company

National/Worldwide	
Chief Executive	Peter L. Tedone
Headquarter location	Windsor, CT
Number of employees	95
2012 total revenues	$81.0 million
Website	www.vantislife.com
Connecticut	
Connecticut Chief Executives	Peter L. Tedone
Primary location	Windsor, CT
Number of employees	88

Webster Financial Corporation

National/Worldwide	
Chief Executive	James C. Smith
Headquarter location	Waterbury, CT
Number of employees	2,970
2012 total revenues	$768.3 million
Website	www.websterbank.com
Connecticut	
Connecticut Chief Executives	James C. Smith
Primary location	Waterbury, CT
Number of employees	2,400

XL Group plc

National/Worldwide	
Chief Executive	Mike McGavick
Headquarter location	Dublin, Ireland
Number of employees	Approximately 4,000
2012 total revenues	$7.2 billion
Website	www.xlgroup.com
Connecticut	
Connecticut Chief Executives	Mike McGavick
Primary location	Stamford, CT
Number of employees	Approximately 650

Special recognition

In addition to the companies listed, UIL Holdings Corporation has been long-standing partner with the CT IFS in business recruitment for the insurance and financial services industry.

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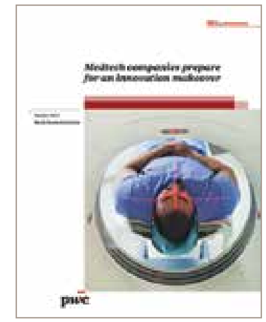

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2013 Connecticut Insurance Market Brief

2012 Insurance ERM and ORSA Readiness Survey

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