



Spring Brings Changes

By J.C. Brueckner, SVP

If you look closely, you will notice that the name of the Generali USA newsletter has been changed from the “*Monitor*” to the “*Viewpoint*.”

We believe the change more accurately reflects the content of the articles contained in the publication. You may also notice that we have expanded the breadth of the articles to contain

information beyond the scope of the Reinsurance business. In this issue you will find articles addressing the Avian Flu, Generali’s expansion into China, an Olympic experience as well as an industry related article regarding Stop Loss coverage. I hope you enjoy our choice of topics for our newly named newsletter.

Of special interest to many of you are the staff changes. We have added a number of new people to

our organization, particularly in the Underwriting area. The major change is the addition of **Nate Johnson** as Vice President of Underwriting. Nate is replacing Dick Swetala who, after 29 years of service with BMA/Generali USA, announced his retirement effective March 31, 2006. During his tenure, Dick provided strong leadership placing an emphasis on servicing the underwriting needs of our clients. *Continued on page 4*

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GENERALI CHINA LIFE INSURANCE CO. LTD.
中意人寿保险有限公司

Generali Pursues Strategic Growth Opportunity In China

By Tammy Kapeller, VP

Recently, Generali’s executives released the company’s 2006-2008 strategic plan. The plan reaffirms Generali’s intentions with regard to expansion in Asia, and specifically identifies China as a key growth market. The highlights from that plan are discussed in this article.

China’s demographic and economic trends make it an extremely attractive market:

- The combination of its one-child policy and the increases it is experiencing in life expectancy mean China is facing a rapidly aging population.
- The U.S. Census Bureau estimates China’s population of those over 65 years old will grow from 7% in 2002 to 14% in 2050.

- China’s pension system is progressively shifting to a mix of private and public benefits.

China’s economy has been experiencing tremendous growth over the past few years.

- Economic indicators show a combination of high growth and low inflation, reducing fiscal deficit and positive current account balance.
- The macro framework is expected to be positive in the future as well.
- Strong economic conditions have fueled rising disposable income (+11.2% in 2004).
- The household savings rate in China is historically high

at nearly 30%, with the current household savings rate approaching 40%.

The overall Chinese insurance market is still at an early stage of development. In terms of insurance density and penetration, the index remains much lower than major peers. Despite rapid growth, the insurance sector still represents a small part of the entire Chinese economy.

Their underdeveloped financial market means a lack of alternative retail investment vehicles. It is expected that diversification of products coupled with the progressive opening of the market to foreign joint ventures will boost growth in the future.

China’s life insurance market is attractive and growing. Since

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“Of the few avian viruses that have infected humans, the H5N1 strain is the virus that ‘has caused the largest number of detected cases’...”

Center For Disease Control Monitors Avian Flu

The Center For Disease Control (CDC) provides general information and statistics on avian influenza, including avian influenza A (H5N1), the virus that has caused infections in birds in Asia and Europe and humans in Asia.

The CDC defines three influenzas:

- Avian flu: “caused by avian influenza viruses, which occur naturally among birds.”
- Pandemic flu: “a global outbreak, or pandemic, of serious illness that spreads easily from person to person. Currently there is no pandemic flu.”
- Seasonal flu: “a contagious respiratory illness caused by influenza viruses.”

Influenza A (H5N1), or the H5N1 virus, is a subtype that occurs primarily in birds. The virus is highly contagious and can be deadly to birds but typically does not infect humans. “However, confirmed cases of human infection from several subtypes of avian influenza infection have been reported since 1997.”

Of the few avian viruses that have infected humans, the H5N1 strain is the virus that “has caused the largest number of detected cases of severe disease and death.”

“The majority of human infections have resulted from contact with infected chickens, ducks or turkeys or surfaces contaminated with the secretion/excretion from infected birds.” Person to person transmission has been re-

ported “very rarely, and transmission has not been observed to continue beyond one person.”

All influenza viruses are constantly changing and can adapt over time. “Scientists are concerned that H5N1 virus...could be able to infect humans and spread easily from one person to another. Because these viruses do not commonly infect humans, there is little or no immune protection against them in the human population. If H5N1 virus were to gain the capacity to spread easily from person to person, an influenza pandemic...could begin.” Experts across the globe are closely monitoring the situation in Asia and Europe, preparing to handle the possibility that the virus may begin to spread from person to person.

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“Generali USA’s modeling indicates that its current financial position could withstand the financial impact... associated with the most severe forecast it has seen.”

Generali USA’s Prepared To Handle Avian Flu

By Lesia Troesser, VP

Over the past months, we have received several inquiries from clients requesting information on the financial impact of a pandemic and our business continuity plans in the event of such an occurrence.

Generali USA has investigated the impact on its financial position of a potential avian flu pandemic. Estimates of additional mortality arising from such an event vary widely. Generali USA’s modeling indicates that its current financial position could withstand

the financial impact from the proportional additional deaths associated with the most severe forecast that it has seen. This forecast was based on a virus with a virulence similar to the 1918 influenza pandemic and assumed no intervention with the disease.

For business continuity, we believe we are currently and will continue to be well positioned to meet the needs of our clients in the event of a pandemic. For existing business needs, we have capabilities in place to securely access many of our systems and information

remotely. This capability would be used if a pandemic limited our ability to work from our offices.

In Underwriting, approximately seventy percent of our underwriters now have the ability to work remotely. We are evaluating the benefits vs. costs of moving to the one hundred percent level. Additionally, we are evaluating the feasibility of creating a “surge capability” (e.g., establishing links with selected non-employee underwriters) to assist during peak times. This capability would be used if a pandemic resulted in a staff

Generali USA Adds New Team Members



Cindy Mitchell has recently joined our underwriting department as **Senior Underwriting Consultant**. Originally from Ohio, Cindy spent the last six years in Kansas City where she served as Senior Underwriting Consultant for Empire General. Cindy resides in Olathe, Kansas with her husband and daughter.



Generali USA welcomes **Kristin Ringland** to our underwriting team. Kristin joined us in January as **Director – Facultative Underwriting**. Prior to Generali USA, Kristin spent 7 years at Empire General. Kristin’s responsibilities include managing a team of underwriters, performing audits and working with client companies. Originally from Nebraska, Kristin resides in Lenexa, Kansas with her husband.



Nate Johnson joined Generali USA in January as **Vice President – Underwriting**. Nate’s career in reinsurance and direct-side life insurance spans 27 years. Most recently he spent nine years at ING RE, four of which he held the title of Vice President & Chief Underwriter. A father of three, Nate comes to us from Denver, Colorado and is currently seeking permanent residence in the Kansas City area.



Chris Nelson, Senior Underwriting Consultant, joined Generali USA in November of 2005. Prior to Generali USA, Chris worked for Transamerica for 6 ½ years as a Senior Underwriter. Chris is a native of McPherson, Kansas and currently resides in Leawood, Kansas with his wife.



Mike Searce, Associate General Counsel, joined Generali USA in January. Mike comes to us from the NAIC. Prior to that, Mike was in private practice and also worked for BMA (formerly Generali owned) for a total of 13 years. Mike’s responsibilities include treaties and assistance with claims. He lives in Kansas City, Missouri with his wife and two children.



Gretchen Johnson is the newest member of our sales team as of January. Her title is **Regional Sales Vice President**, and she joins us from Minneapolis, Minnesota where she has spent 28 years building a strong career in sales and management. She spent 18 of those years at Allianz Life Insurance Company and held the position of Regional Sales Vice President and Corporate Officer – Reinsurance during her last ten years there.

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Join us in welcoming our newest additions.



Generali USA is committed to being a value added reinsurance provider...

Spring Brings Change (continued from page 1)

As we began our search to replace Dick, we focused on finding an individual who could build upon the foundation created by Dick. This individual must be someone who could also strengthen our relationships with our new clients. Our search ended quickly as we were fortunate enough to find Nate.

Generali USA is committed to being a value added reinsurance provider and our hiring practices reflect this approach. As you read the bios of our new

hires listed below you will see that they each bring skill sets to Generali USA that enhance our ability to service our clients. **Gretchen Johnson's** strong reinsurance sales background strengthens our client and prospect relationships. **Kristin Ringland, Cindy Mitchell** and **Chris Nelson** bring direct company underwriting knowledge to our company. **Mike Searce's** experience at the NAIC strengthens our knowledge of the regulatory environment. Finally, **Nate Johnson** brings with him strong relationships with many of our recently acquired new clients.

I encourage you to take the time to get to know the new people at Generali USA and experience the value they can provide to your organization.

We believe that we have added quality individuals who will enhance our ability to become the value added provider in the life reinsurance market.



Gianguido Castagno, former U.S. Board Member and retired Generali executive

2006 Olympics: A Personal Perspective

By Gianguido Castagno

The 2006 Winter Olympic Game are over, and a quieter atmosphere is returning to Torino – the host city and my hometown. In reality quite a lot of things have changed, both in the city itself and in the feelings of its inhabitants.

The city's infrastructures, and those of the sites scattered on the nearby mountains, have been largely renovated, and new ones have been created, not only for the immediate needs of the Games but also for a future which has already begun.

For two weeks, billions have watched the sporting events, and Torino has appeared as never before on TV screens across the world. Torino has offered an image which was

somewhat unknown even to ourselves, its inhabitants.

Beyond the spectacular performances of the athletes, a surprising keynote of these Olympic Games has been represented by the Volunteers: a 26,000 strong army of men and women, young and old, who have worked hard, in the city and up in the mountains, day and night, in freezing temperatures, under rain and snow, to keep the Olympics running, or just to make them possible.

One magazine has written that even before the opening ceremony the Volunteers had earned their medals.

It has been my privilege to serve in that peaceful but tough army, after a months-long selection and training process which ended when I received my accreditation pass and a uniform which we quickly learned to be more a

battle dress than a parade outfit.

Volunteers' uniforms soon became a common sight everywhere in the mountains and in the streets of Torino, together with the hundreds of thousands of international guests to whom a city known for a 'cold' attitude gave a somewhat unexpectedly warm welcome.

As a Volunteer, I was assigned to the 'Protocol and Language Services'. Our mission was focused on the Olympic Family, which included members of the International and National Olympic Committees and of the International Federations, the national and international dignitaries (including Presidents, Royalty, First Ladies and Ministers), and the sponsors: all together some 3,000 plus persons. We were called to welcome and assist these guests, and to provide them with language and organizational

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China (continued from page 1)

the mid-1990's, the life insurance market has been growing at nearly 30% per year. In fact, China is the world's fastest growing major market.

- Premium volume of \$32.4 billion in 2003 represents 2.3% of the GDP.
- Per capita spending of \$25.1 has shown a +32% growth rate between 1998 and 2003.
- The China Insurance Regulatory Commission (CIRC) projects future growth at an annual rate of 15% between 2005 and 2015.

Generali's History In China

1996: Generali is awarded the license allowing it to establish a representative office in Beijing.

2000: Generali is authorized to establish a life insurance joint venture with a local partner; an agreement is signed with China National Petroleum Co. in April 2001.

2002: Generali China Life Insurance Company (Generali China) starts operations. Generali China is a joint-venture between Assicurazioni Generali S.p.A. (Generali) and China National Petroleum Corporation (CNPC). The company was approved for establishment by China Insurance Regulatory Commission on Janu-

ary 15, 2002. It was the first Sino-foreign joint-venture insurance company approved for operation by the Chinese authorities after China joined the World Trade Organization.

The joint venture partner, China National Petroleum Corporation (CNPC), is the largest Chinese employer with more than 1.3 million employees.

2004: The company obtained the license to conduct Life Group business. Generali has had a successful start in Group business with the issue of a group plan of \$2.4 billion with CNPC.

Generali China is active in Beijing, Guangzhou, and Foshan.

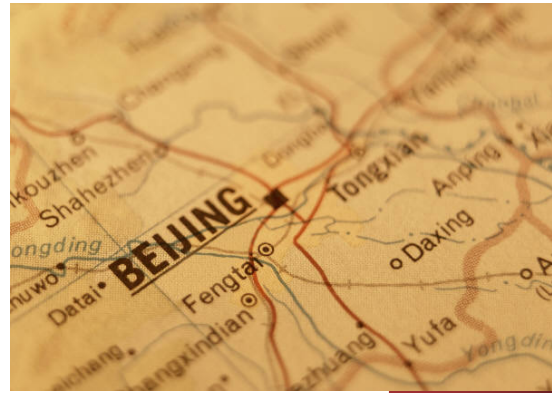
Gross Written Premiums in 2004 € 32.7 million (more than triple the 2003 premiums.)

Generali's overall positioning in 2004 places it fifth among the 20 joint venture companies active in China. By the first quarter in 2005, Generali was first. Remarkably, if the CNPC group plan were excluded, it would have ranked third.

Generali's Future Direction

Further expansion in other Provinces is planned for the near future.

Generali will pursue a multi-distribution approach to the cus-



China is the world's fastest growing major insurance market.

tomer base, through a tied/captive agency network of 1,300 exclusive agents and the banc-assurance channel. Generali has negotiated distribution agreements, including one with the Industrial and Commercial Bank of China (ICBC) in Beijing.

Generali has identified three target segments for expansion in the Group business:

- Chinese employers/clients with the need for health and retirement benefits. These benefits are becoming more and more important as Chinese employers are faced with the need to retain their best employees.
- Current multinational clients doing business in China where Generali can leverage its current position and brand.
- Generali Employee Benefits clients.



Announcements



Naomi Khadavi, an Actuarial Student at Generali USA, recently passed Exam FM (Financial

Mathematics). This is the second of four preliminary exams she will take in order to reach her goal of becoming an Associate of the Society of Actuaries. Congratulations, Naomi!

New E-mail Addresses! Effective immediately you can begin using Generali USA's new e-mail address, **GeneraliUSA.com**. As

an example, the new address for John Doe is:

jdoe@generaliusa.com.

Our current e-mail address, GeneraliUSALifeRe.com will continue to work for the next few months.



“Underwriting and Claims are considered to require ‘real time’ turn around.”

Generali USA’s Avian Flu Plan (continued from page 2)

shortage and recognizes that there will also be an impact on the outside group as well.

We are in the final stages of upgrading the technology in our Claims area, e.g., process re-engineering coupled with new imaging and workflow systems. (For information on our new imaging systems, please refer to “The New Look In Underwriting: Imaging” in *The Viewpoint’s (formerly The Monitor)* fourth quarter issue.) This will provide comparable remote access should it be needed.

Our planning anticipates greater timing flexibility for our financial and actuarial activities. Underwriting and claims are considered to require “real time” turn around. In contrast,

in an emergency situation, our financial and actuarial areas can be managed with a reasonable degree of lag. Thus, we can now sustain moderate time periods without access to our offices. Work is on-going to quantify how long these periods could be and to determine what, if any, “work-arounds” can be implemented.

For example, our employees in Finance currently have a limited ability to work remotely. We are examining what additional capabilities might be needed if a pandemic results in longer time periods out of our offices. As with our efforts in underwriting, we are considering the utility of establishing contingent relationships with outside consultants to provide additional assistance. Again, the plan recognizes that these sources will be impacted.

We believe it will be best for all parties to have these relationships already in place rather than being forced to forge them in the midst of a crisis.

If we were not able to perform any of these functions on a timely basis, we would inform our clients in a timely manner. To help us in that effort, if any clients have developed a listing of contacts for their organization, we would appreciate receiving their list. Lists can be e-mailed to me at:

LTroesser@GeneraliUSA.com

A list of Generali USA’s key contacts in the event of an emergency to establish operational procedures can be obtained from Lesia Troesser.



“The avian influenza A (H5N1) animal outbreak in Asia and parts of Europe is not expected to diminish significantly in the short term.”

Avian Flu (continued from page 2)

The World Health Organization tracks and reports the cases of human and animal infections from avian influenza A (H5N1). As of February 2, 2006, WHO reported human cases of H5N1 in:

- Asia: Cambodia, China, Indonesia, Iraq, Thailand, and Vietnam.
- Europe: Turkey.
- No H5N1 cases have been reported in North America, South America, Africa, Australia or the South Pacific.

As of January 20, 2006, WHO reported avian influenza infections in poultry or wild birds in:

- Asia: Cambodia, China, Hong Kong (SARPRC), Indonesia, Kazakhstan, Malaysia, Mongolia, Thailand, Vietnam.
- Europe: Croatia, Romania, Russia, Turkey, Ukraine.
- No H5N1 cases have been reported in North America, South America, Africa, Australia or the South Pacific.

According to the CDC’s current assessment, “the avian influenza A (H5N1) animal outbreak in Asia and parts of Europe is not expected to diminish significantly in the short term. It is likely that H5N1 infection among birds has become endemic in certain areas and that

human infections resulting from direct contact with infected poultry will continue to occur. So far the spread of H5N1 virus from person to person has been rare and has not continued beyond one person. No evidence for genetic reassortment between human and avian influenza A virus genes has been found; however, the epizootic (animal outbreak) in Asia continues to pose an important public health threat.”

For additional information on avian flu, refer to the CDC’s website:

<http://www.cdc.gov/flu/avian>

Source: Center For Disease Control, February 2006

Abnormal Mortality Life Stop Loss Reinsurance



Abnormal Mortality Life Stop Loss (ABSL) reinsurance (also referred to as Aggregate Life Stop Loss reinsurance) is coverage that provides protection from a significant negative variance in loss experience for a fixed period of time for a ceding company's net retained life insurance.

ABSL reinsurance is provided by treaty on an excess of loss basis over an annual aggregate claims attachment point and can be written on Individual Life and/or Group Life Insurance coverages.

The attachment point is usually expressed as the greater of an amount per Mean Net Retained

Thousand Inforce (MNRTIF) or a specific dollar amount. The rationale for this approach is that it allows an adjustment for changes in the inforce block during the coverage period. The reinsurance premium is typically expressed in terms of a Minimum and Deposit amount with a rate that is adjustable annually per Mean Million of Inforce.

ABSL reinsurance is particularly well suited for medium and smaller sized regional carriers that are primarily focused on Individual Life insurance products. These companies tend to have lower net retentions and, typically, do not have major issues with concentration of business. In addition, they are not as concerned with terrorism but instead are more likely to be im-

acted by natural disasters, epidemics and auto accidents.

At Generali USA, we use the last five years of annual statements to develop the average ratio of net retained claims to net retained inforce. Defined claims (DC) are equal to net retained incurred claims (NRIC), minus reserves released from death (RRD), minus matured endowments (ME):

$$DC = NRIC - RRD - ME$$

The ratio is then entered into an algorithm which accounts for sample standard experience deviation, theoretical deviation based on block characteristics and normal claim distribution to develop the final Attachment Point.

“ABSL reinsurance is coverage that provides protection from a significant negative variance...”

2006 Olympics (continued from page 4)

support, both in the competition venues in Torino and the mountains, and in non-competition venues.

With a team of some thirty Volunteers (ranging in age from first year University students to an 80 year old gentleman), I worked in non-competition venues. This brought me to the Olympic Stadium for the opening and closing ceremonies: two spectacular and emotional events which will long remain in the memories of all those who witnessed them, both personally and through TV.

In the days in between, my team operated in the Medals Plaza, a structure created - for the first time in the history of the Olympic Games - in the very historic heart of a great city. It consisted of stands for our guests, a media



The Medals Plaza At Night

The building illuminated in blue on the left, only partly visible, is the Royal Palace. The other building on the right is the old seat of the Senate. The people in foreground (7,000) had obtained free tickets for the concerts after standing in queue for 8 hours.

tower, and a stage where the medal awarding ceremonies alternated with concerts from top Italian and international music

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We have changed the way we communicate with you! We want to know how we're doing in meeting your needs and delivering

timely, useful information. Your opinions are important in helping us continue to improve our communications.

Please take a moment to complete the simple online survey at the bottom of the recent electronic version of the

Viewpoint you received via e-mail

Based on a random drawing from all entries, we **will award a Generali USA black portfolio** to one lucky responder.

2006 Olympics (continued from page 7)

stars. A huge vertical wall contained all the flags of the participating countries. In the background of the venue were the ancient royal palaces and the dome of the Cathedral.

In this spectacular setting, 54 out of a total 88 medals were awarded to athletes, and each time the Olympic ritual was repeated: anthems were played and flags hoisted, among them, and also on the highest pole, Old Glory. Every day, at the beginning of the ceremony, the notes of the Olympic anthem accompanied the hoisting of the five-rings flag, resounding as they did in 1896 in Athens for the first Olympic Games: "Ancient immortal Spirit, pure father of beauty, greatness and truth, be revealed here...."

My team was busy assisting guests in tribunes, checking the visitors' flow at the gates, helping in the preparation of the awarding ceremony and giving language support to athletes and media personnel during interviews. We were on duty from 4 or 5 p.m. until 11 p.m., with

a short break for dinner. It was hard battling the cold and at times inclement weather, but highly rewarding.

It was a great occasion to develop friendly relations among us, and to meet and greet persons coming from a number of countries and speaking different languages, always in an exceptionally warm atmosphere.

At the closing ceremony all the official speakers recognized the merits of the Volunteers in their addresses before the 35,000 spectators in the Olympic Stadium and the millions upon millions watching on their TV screens.

Now it's all over, but if the Games will mark an important period in the history of Torino, the Volunteer spirit which pervaded us in those days will stay with us forever. All of a sudden I realized that for the entire period the question of who was inside that uniform never came out. Only the day after, when we met for a farewell pizza, we started asking each other about our background and life. It

was then that we discovered how richly different we were.

We lived through a period when it was common to meet on a streetcar about midnight a perfectly unknown passenger, who – beyond age and sex - just wore the uniform and the accreditation pass around the neck. We would start talking about the day's activities without even thinking to introduce ourselves. It was common to wave to a person on the sidewalk: something unthinkable just weeks before, and now again after the Games.

Paraphrasing a famous motto: we can proudly say that an uncommon spirit of service was a common virtue among the Volunteers. We are now back to our different everyday lives, but we have acquired a clear conscience: hadn't the Volunteers been there, the Games either wouldn't have been there.

We were there!

Generali USA Life Reassurance

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