

## IQ Co-Editors



**Douglas K. Adams, CPCU**, is president of Adams & Son, Inc., an insurance agency active nationwide, with strong international activities. As a member of the fourth generation in his agency, Adams began as an underwriter for Liberty Mutual, The Home Insurance and Chubb before moving back to the firm. He was a past member of ACORD's national standards board and chairman of the technology committee for the Council of Agents and Brokers. Adams is also very active in his local community serving on various boards and trusts.



**Anthony P. Burger, CPCU, ARM**, is chairman of Pritchard & Jerden Inc., in Atlanta, GA. Burger has 38 years of experience in the insurance industry including state regulatory, insurance company underwriting management, and insurance brokerage operations involving management, sales, and service. Prior to joining Pritchard & Jerden, he was branch underwriting manager with Amica Mutual Insurance Company and served as an assistant rating deputy with the Georgia Insurance Department.

## CPCU Society's International Insurance Section and Europe Chapter Meet in Paris!

by Douglas K. Adams, CPCU

We recently attended the first-ever joint meeting of the CPCU Society's International Insurance Section and the Europe Chapter in Paris, France. As expected, the French were excellent hosts! Their hospitality and food, graciousness and commitment were beyond compare.

We "the Yanks," navigated the extensive Paris subway ("Metro") to arrive at the first meeting on April 7 at 4:30 p.m. Many of us having flown all Thursday night and arrived that same day.

Our meeting at the offices of Ernst & Young brought many of us together for the first time. Joining the meeting by invitation, and in attendance, were members of the insurance, accounting, risk management, and employment firms of the Paris area.

The meeting planning was completed by many, but the primary planners were **Anthony E. Fienberg, CPCU**, (once of the Paris Chubb office), **Anthony L. Cabot, CPCU**, (XL manager in Italy and vice president of the CPCU Society's Europe Chapter) and **Daniel Hess, CPCU**, (Zurich—ABRAXAS—Lloyd's MGA), and **Gail B. Burns, CPCU, CIC**, International Insurance Section chairman.

Fienberg served as the moderator-translator and host of the panel discussion that afternoon. The next two hours we listened to the issues of employment in the French insurance industry. Insurance company people, brokers, and risk managers all served on the panel. Admittedly, we "the Yanks"

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# CPCU Society's International Insurance Section and Europe Chapter Meet in Paris!

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had to wait, and rightly so, for Fienberg's gracious summary in English of all the comments, but it was a fascinating discussion.

I would be remiss not to mention the main leader of the panel discussion—Jean-Paul A. Louisot, ARM, esteemed president and academic from the French risk management training and development organization (CARM Institute). It took very little time before one realized Louisot was a true master of all aspects of the insurance and risk management industry—nationally and internationally.

The meeting concluded with a major revelation. Their employment issues—retaining good employees, rewarding consistent producers, finding competent talent, and responding proactively to a constantly changing insurance industry—are similar to the problems we all face in the industry.

We ended the day and began the evening with a cocktail party reception followed by dinner at 8:30 p.m. The French are famous for their long, luxurious dinners that start later in the evening and rarely finish up until midnight. We were, however, back to our hotels by midnight, and the morning wake-up calls came only too early.

Again, we navigated the Paris Metro and this time some of the turns and stairwells looked familiar. In other words, we only got lost a few times. We surfaced to the main street level in the Paris opera district (L'Opera) in time for the day's meetings, which began at the AIG Producing Offices at No. 13 Rue de Auber.

The all-day meeting of both the Europe Chapter and the members of the International Insurance Section Committee ("foreigners" all) began with an address from the AIG managers. Lex Baugh, the AIG European manager, opened the meeting by welcoming the 20-plus attendees. His comments

were followed by those of Emmanuel Brûlé, a local AIG manager, regarding his assessment of the French insurance marketplace. (See the "French Insurance Market" article on page 3 for a summary of Brûlé's comments.)

We then separated and held our individual section and chapter business meetings, conducting our own normal business activities. We were honored by the presence of the current CPCU Society President, Millicent W. Workman, CPCU, CPIW. She split her time between both business meetings.

Additional highlights of the day's activities included:

1. Jean-Paul Louisot gave the joint attendees a lecture of risk management and Board of Directors' risk considerations.
2. Tony Cabot led an open discussion on "ethics"—practical "ethics" in real situations, not the just the element of theory.

Another wonderful joint dinner closed our group activities, and the first, but not last, joint meeting drew to a close.

Thank you to the sponsors of this meeting, which were Ernst & Young, AIG Europe, Allianz, XL, and Munich Re.

The attendees were:

## Europe Chapter Members

**Julia A. Aasberg, CPCU**  
London, England

**Anthony L. Cabot, CPCU**  
Milan, Italy

**Anthony E. Fienberg, CPCU**  
Paris, France

**Pierre P. Fonteyne, CPCU**  
Brussels, Belgium

**Daniel Hess, CPCU**  
*Europe Chapter Vice President*  
Zurich, Switzerland

**Gregg A. Piltch, CPCU**  
Paris, France

**Karen M. Rainer, CPCU**  
Dublin, Ireland

**Sven Ramspott, CPCU**  
Zurich, Switzerland

**Michael S. Ricks, CPCU**  
Munich, Germany

## International Insurance Section Members

**Douglas K. Adams, CPCU**  
Auburn, New York

**Anthony P. Burger, CPCU**  
Atlanta, Georgia

**Gail B. Burns, CPCU, CIC**  
*International Insurance Section Chairman*  
Kittery, Maine

**Judith A. Ehle, CPCU**  
Miami, Florida

**Peggy A. Ellis, CPCU, CLU, ChFC, CPIW**  
McKinney, Texas

**Frank L. Fullmer, CPCU**  
South Jordan, Utah

**Robert J. Gibbons, Ph.D., CPCU, CLU**  
Wayne, Pennsylvania

**Gary L Grindle, CPCU**  
Plantsville, Connecticut

**Millicent W. Workman, CPCU, CPIW**  
*2005–2006 President, CPCU Society*  
Germantown, Tennessee

## Other Attendees

**Emmanuel Brûlé**  
AIG France  
Paris, France

**Jean-Paul Louisot**  
CARM Institute  
Paris, France

**Rosanne Iacobucci**  
Plantsville, Connecticut

# French Insurance Market

by Emmanuel Brûlé



**Emmanuel Brûlé** is senior vice president and regional segment manager–corporate accounts for AIG Europe, responsible for developing and executing the Europe Corporate Segment strategy. Previous positions with AIG included deputy general manager of AIG Europe France and commercial lines manager of AIG Europe France.

**T**he French non-life insurance marketplace represents about 40.4 billion Euros in premium volume (about \$50 billion USD).

The volume is broken down by line of insurance coverage as follows:

- **Personal Insurance** (homeowners and automobile)—23.3 billion Euros
  - 17.5 billion Euros—Automobile
  - 5.8 billion Euros—Homeowners
- **Commercial Lines Business**—17.4 billion Euros
  - 6.5 billion—Property
  - 3.3 billion—Auto Fleets
  - 2.8 billion—Casualty
  - 1.1 billion—Marine
  - 1.1 billion—Construction Liability
  - 2.6 billion—Other (Cat Nat, Technical Lines)

The French insurance industry has faced a number of company consolidations of recent history, the main ones being AXA/UAP, Allianz taking over AGF, and Groupama taking over CGU/Gan.

From a commercial lines standpoint, the main insurance companies today with their approximate percentage of the marketplace are (2004 published market data): AXA with 14 percent, Groupama with 13 percent, AGF with 12 percent, Generali with 6 percent, AIG with 3.5 percent. The mutuals and other smaller insurers make up the balance of the marketplace.

Like in other European markets, some niche players with specialty business like AIG, ACE, XL, and Chubb have steadily grown and expanded in the French insurance marketplace.

Due to the legal environment in France, the casualty market has not been facing the same trends as other common-law countries, but some changes may happen in the future with the development of more consumer litigation/class-action type of behavior. Property-wise, the French market is not excessively exposed to catastrophe events, and some pools have been historically developed to take care of the main exposures (windstorm, flood, terrorism, etc.). Traditionally, the combined ratio of the domestic general insurers has been in the 100 percent range, but some significant improvements have been observed in the recent years.

From a distribution standpoint the commercial lines have been sold through various channels, the main ones being brokers (large multinationals, national, regional, and small), agency forces, mutual insurers, and the banks.

Like companies, the intermediaries have also faced a wave of consolidations that have led to some strong brokerage groups like Aon, Marsh, and Gras Savoye (Willis group) to grow but also to the development of large national brokers (Bessé, Siaci-JLT, Verspieren, Diot, Verlingue, Fihlet Allard) and some large wholesalers like April. To face the expenses pressure and to also better compete against other distribution channels like the tied agents network, the (large) brokers tend to segment their resources to maximize their efficiency according to the needs of their various clients.

As a high-level snapshot, the key players and distribution forces can be mapped out by market segment as follows:

- **Large Risks**—Key players: Axa, AGF, AIG, Zurich, Ace, FM, XL. Distribution: large multinational and national brokers.
- **Medium-Size Risks/Mid-Market**—Key players: Axa, AGF, Generali, Gan Eurocourtage, MMA, AIG (expanding), Ace, and Zurich. Distribution: large multinational, national, regional brokers, and some agents.
- **Small Risks**—Key players: Axa, AGF, Gan Eurocourtage, MMA, Generali, mutuals, banks. Distribution: national, regional, local brokers, agents, wholesalers, mutuals, and banks.

This increased focus on the mid-market is and will create pressure and tension on agency networks that are already facing their own issues, especially expense ratio as a consequence of the recent consolidations.

Whilst going through these changes, the French market will also face in the coming years, like other industries, a wave of retiring people. This will lead to a high focus on the skilled resources, and we may anticipate that this trend would probably lead to hire people from other industries. This would also support the segmentation strategies where individuals that come equipped with a particular industry knowledge are becoming valuable to the insurers.

Based upon the current trends and changes, the keys to success will be:

- right profile in products sold and distributed
- right people and capacity in place
- closer to the clients and specifically understand their needs
- adequate servicing platforms
- change is normal—adapt
- go outside the insurance industry to hire new people
- more standardization ■

# Enterprise-Wide Risk Management (ERM)

by Jean-Paul A. Louisot, ARM

**Jean-Paul A. Louisot, ARM**, is a professor of risk management and a risk and insurance consultant, and has worked as a broker, underwriter, and risk manager. For more than 30 years he has helped private and public entities manage risks and coach risk managers. Since 1993, his activity has been mainly devoted to teaching and coaching post-graduate students and risk management professionals, and acting as part-time risk manager for select clients.

Louisot frequently speaks at professional conferences such as SIRM in Europe, RMIA in Australia, and PRIMA and RIMS in the United States.

He is currently academic director for the Comprehensive Applied Risk Management Institute, preparing students for the Associate in Risk Management (ARM) and European Fellow in Applied Risk Management in French-speaking countries. He teaches ARM seminars in English at the Insurance Institute of Switzerland and at the ARIMI (Singapore), and recently was made a research fellow at Peking University.

Louisot is a professor at Paris 1 University (Panthéon Sorbonne), and teaches at post-graduate levels in several institutions. He translates and adapts ARM courses to French, and has published books and articles on risk management. He holds a civil engineering degree, and master's degrees in economics and business administration. He also holds the Associate in Risk Management designation.

**R**isk management has experienced a profound evolution in this first decade of the 21st century. The role of the risk manager was developed in the second half of the 20th century in the United States as a technical position within the treasury department of major industrial companies. It dealt mainly with the efficient purchase of insurance covers and follow-up of claims administration. Although the term "insurance" was often

associated with the title, it seemed to most companies in the insurance and reinsurance business that such a position was of little relevance to them.

Through the new name ERM (enterprise-wide risk management), risk management has grown into a full-fledged management discipline to be mastered in organizations of all types. Its field had to be redefined because a global approach needs to incorporate all risks, including threats as well as opportunities. Both may influence the development and implementation of a sustainable organizational strategy. Thus, beyond directors and officers, risk management relies on every manager, every employee for its implementation. Each of them must develop an awareness of risk; which means that they must develop the competencies to assess the risks that may affect their daily missions within the organization and implement strategies to best leverage them, i.e., manage their own risk portfolio within the framework of the organizational risk strategy and taking into account major stakeholders' risk appetite.

As risk management becomes everyone's business within the organization, governance becomes very important. Governance is based on transparency and truthfulness and requires that rational decision processes be designed and followed at all levels, from the boardroom to the shop floor. It is only thus that difficult decisions and arbitrages can be explained if called upon, be it in a court of law. Good corporate governance implies that the "why" and "how" can be explained to staff at all levels, while taking into account the "need to know" question to ensure confidentiality of some key strategic decisions that the competitors should not be able to decipher too early. It follows that decisions made from the board of directors and the managers must also incorporate "ethics" and recognize that not everything can be rational and bottom line.

How transparent must decisions and their tactical implementation become to accomplish this? Transparency still has room to grow in our industry but also needs to be tempered as your competitors are clever, and maybe even more so than you assume. They will gather information on your strategy. Always keep in mind that they can use open-source information approaches; if your strategy is a winner, they may be able to anticipate your moves and counter or adapt it for their own benefit.

To justify an investment in risk management, sometimes substantial, a new concept must be introduced: the "resilience" of a company. It measures its ability to survive, indeed thrive, even after a stressful event or a disaster. In the short term, the accounts of the resilient company may be less favorable than those of the nonresilient one! Why strive to achieve more than mere survival, the extra cost seems wasted. Consider how different the picture is if we want the company to be always in a position to rebound and seize all opportunities within reasonable reach.

Too many executives are only interested in the next few quarter's earnings that will allow them to retain their position and possibly retire comfortably. What incentive do they have to embark in a long-term "sustainable development"?

At the end of the day, risk management is about good management. At every level of the organization, the actors must arbitrage between threats and opportunities and balance out the rewards versus the premium costs of their daily tasks.

Finally, a "risk owner" is anyone that can manage a risk. When a risk management culture has been implanted within the organization, only those risks with potential strategic consequences should reach the board for decision and action.

Beyond all the silos of risk, the organization's reputation is the measure of its ability to manage long-term risks. Broader than brand image, it relies essentially on the trust of all stakeholders.



**■ Friday afternoon roundtable discussion at Ernst & Young Paris.**

Moreover, reserving, even enhancing, their trust should rest at the core of decision-making processes. Trust among economic partners to secure the procurement and marketing channels has become a key in today's global economy. Most companies don't even know all of their partners because there are those with whom they have no direct contact.

Our partners may be in the landscape through chains of subcontracting or even through direct contacts with our clients. Some are "keys" we do not know but their actions can influence and impact our results. In measuring the total value of the company, we need to know both our upstream and downstream partners, and whether or not we chose to outsource risk management to them.

For the 1998 World Cup of football, a major sporting goods manufacturer outsourced soccer balls from a developing country. It was accused of using child labor to manufacture the balls, whereas it really was a subcontractor of their contractor. It did not even know of the vendor's issues until it was made into a huge issue in the press. At the time, the manufacture of the balls broke down as follows: 1 franc to the laborer, 30 francs to buy it wholesale, 50 francs for design and marketing, and 50 francs to the shopkeeper that sold it at retail. The same holds true for basketball shoes. Today, they have a price tag of \$100 dollars or more at the retail level. But the manufacturing cost is only \$10 to make

including the labor; the rest is design, advertising, and marketing. In summary, most of the cost is "brand image" building.

But if there are endogenous risks, there are also exogenous risks. Companies must be continually aware of the risk stemming from outside the organization. Are "loss of income" coverages extended to include contingent issues from your procurement chain?

If the marketplace values "reputation," why is it not incorporated in the measure of the solvency values and financial ratings of the financial companies? Probably because it is difficult to quantify. Nevertheless, it is part of "ability" to pay for losses in our industry, as a portfolio of loyal customers is paramount to long-term survival.

As far as insurers are concerned, they must be keenly aware of what re-insurance covers might come back to them through their reinsurance operations via retrocession.

When it comes to catastrophic risks, those that may jeopardize the future of a company, there are three major issues: the environment, natural disasters, and terrorist attacks.

These do not strike only in the form of insured losses, and they may hurt insurers and brokers directly. Suppose civil authorities closed your organization (Hurricane Katrina). Should another hurricane strike this year, the newly instituted evacuation plan for New Orleans calls for such drastic measures. Your offices survive the disaster, but the authorities close them down anyway. Do you have a plan in place, especially at a time when there will be pressure to settle promptly so many claims?

We could also address the Sarbanes-Oxley impacts, but so many articles are written on the subject. Suffice it to say that it is another source of D&O liabilities, particularly important for insurers and reinsurers when coupled with

the impact of Solvency 2 and the new accounting standards based on "fair value."

So, which of your stakeholders should be included in your decision processes? We could borrow from the Bible here: "But who is my neighbor?" and Jesus answers in effect "anybody that your life touches." The same could apply to stakeholders. However, they do not need to be all engaged in the same fashion. Remember that inconsistency in communication hurts you the most, as your weaknesses are exposed by the inconsistencies.

Other than government legislative initiatives, one of the trends experienced worldwide to improve corporate governance is to appoint non-executives as directors to company boards. In Australia, by law, all board members are to be non-executives. The United Kingdom is looking for good risk managers to become non-executive board members as risk management has become one of the major concerns in boardrooms; in the United Kingdom, boards are typically 50 percent non-execs now. Continental Europe and the United States have still a long way to go!

At any rate, the board should select among its members a Risk Management Committee to set the risk strategy of the company. It should comprise primarily non-exec members, i.e., independent of the executive officers. Ideally, the auditing and Risk Management Committee should be distinct as the job of strategy designing should be separate from the validation of its implementation. However, smaller entities that have a limited number of outside members on their boards may have to combine it with the compensation committee as all three should comprise only non-execs.

To summarize, one could say that strategic risk management is the art of the possible as opposed to the art of the "dreamable" that would be the strategy without risk management. ■

# Workforce Risk Management

by Anthony L. Cabot, CPCU

**■ Anthony L. Cabot, CPCU**, has been country manager for XL Insurance's Italian operations for five years. As country manager, he is responsible for the relationships among XL Insurance Italia's clients, consultants, brokers, and all relevant regulatory authorities. His prior experience within the XL Insurance Group was as sales and marketing manager, West Coast, where he established the Los Angeles branch office, and special accounts manager, East Coast, where he worked in the New York City office. Cabot is a founding member of the CPCU Society's Europe Chapter.

**I**n today's dynamic business world, we take for granted the employer's ability to adjust the workforce to the ebbs and flows to production output, quarterly results, and stakeholders' demands. This "flexibility" is a given in the Anglo-Saxon business world but not so for many other jurisdictions.

While this brief article will not attempt to determine the social impact of the dynamic workplace that so many of us have become accustomed to, we will try to give you a basis of comparison how one other system deals with imposed "right sizing." We will let you be the judge if one system is better than the other.

In Italy and other civil-law-based countries, there are typically national labor contracts in place, which delineate the rights and obligations within the employer/employee relationship. This is true for the insurance sector as well.

Italy has a National Labor Contract for insurance company employees (CCNL) and this is supplemented by each insurance company's supplemental labor contract (Contratto Integrativo Aziendale or CIA), which provides additional company-specific benefits (usually increasing the national contract minimums).



**■ Saturday joint meeting at AIG Paris.**

The National Association of Insurers (ANIA) supports all registered insurance companies on many different subjects including labor.

There are three unions represented in the insurance industry in Italy; these are staff, middle managers, and executives. There are approximately 200,000 people employed in the Italian insurance sector covered by the above-referenced agreements.

How do we manage personnel issues within this context?

The first step is a consultation with the union representatives to outline company objectives and their impact on personnel. If these plans include any potential staff reductions, the employer must first review the application of the Italian labor laws, the CCNL, and CIA terms and conditions for staff reductions.

As you might imagine, the Italian labor laws require a careful approach and much deliberation due to the myriad of laws protecting employees, the relationship with union representatives, the general motivation of the local staff,

and potential legal action following an employee termination (firing for cause).

It should be noted that the preferred route is typically a mutual agreement with the employees trying to keep severance payments in the range of one to one-and-one-half year annual salary (the norm in Italy is more or less two years).

There are, generally speaking, two main grounds for an employer to terminate an employee. The first is tied to illegal actions on the part of the employee. It is quite interesting to learn that it is not always easy, even in these cases, to fire an employee even if he or she is found guilty of an illegal act.

The second cause is for "objective" reasons. This can be basically summed up by stating that, when it is determined that the continued employment of one or more employees is harmful to the ongoing enterprise, the firing of specific employees may be justified. The key words here are "may be."

Again you should keep in mind that this must be taken in context of a very pro-employee legal system and relatively strong union representation.

While it is not the usual desire of an employer to initiate a long, drawn-out legal battle with an employee or the unions, the employer does need to understand what the implications of such a situation might be.

If an employer takes the step of firing the employee, there are the issues of concern for legal action the employee could bring against the company, e.g., harassment, discrimination, etc. The situation must be carefully monitored.

Taking the road of termination in the context of firing for cause is considered quite drastic in Italy. In fact, the most common approach is negotiating the employee termination in the form of a mutual agreement, or as they are more commonly known in Italy, a consensual agreement.

It is only at the time that an employer is unable to make such an agreement, that he or she would initiate a firing for cause of action and take on the union.

Should the employer finally have to make the decision to fire for just cause, he or she must expect a counteraction

from the employee and his or her union representatives. In any case, even with a firing for just cause, the employee would still receive a severance package based on the national and local labor contracts that equal approximately nine months' salary.

If the employer does wind up in court, the local laws foresee that the judge will first attempt a reconciliation of the parties. This could mean taking back one or more of the employees or offering some additional amount of money to resolve the matter.

Certainly it is every employer's hope, should he or she arrive to this point, to have the necessary legal support and pursue a negotiated solution with the employees.

As you can see from this brief overview, there are many scenarios that could play out in this modern passion play.

Each employer must be cognizant of the basic labor laws, the national and supplemental labor contract details, and the equilibriums to maintain with the employees and the union representatives and corporate office personnel strategy. He or she must have strong legal support and excellent negotiating skills.

The socio-cultural aspects of the employment relationship are a critical factor to a company's success and must not be underestimated. Just because you can right-size at will in some jurisdictions does not mean you can apply those laws or desires wherever or whenever you desire.

The extreme differences between the Untied States and Italian approach to the employment relationship are certainly a challenge, but with patience, money, and understanding of the dynamics, an employer will eventually find the right balance between profit maximization and social responsibility. ■



■ Millicent W. Workman, CPCU, CPIW, (seated second from right) joined members of the CPCU Society's Europe Chapter and International Insurance Section in Paris, France.

# Future of Career Development in the Insurance Industry: A View from Paris

by Jean-Paul A. Louisot, ARM

We were fortunate enough on April 7 for our annual meeting in Paris to welcome a distinguished panel of international executives from the insurance industry to exchange on the future of careers in the insurance and reinsurance industry. Our panelists were Alexander Baugh, CPCU, CEO of AIG Europe, Hervé Houdard, CEO of AON France, and Frédéric Lucas, ARM, corporate risk manager of Publicis. The roundtable was monitored by Anthony E. Fienberg, CPCU, and Jean-Paul A. Louisot, ARM, in charge of the ARM program in Europe. Let us point out that Baugh is a CPCU and Lucas an ARM. AON France counts many ARM on their current staff, so nobody was outside the fold.

More than 70 attendees from all the fields of the profession joined the members of the CPCU Society's Europe Chapter to share their views on the future of our profession's employment.

The participants of the roundtable had received ahead of time the questionnaire developed by Fienberg that served as a guideline to the exchanges (see questionnaire on page 9). It is clear that there are numerous illustrations of individuals crossing the lines between insurance, reinsurance, broking, and risk management for large industrial or commercial concerns. However, in Europe, there seems to be a pattern that such shifts, although encouraged at the beginning of a career, become less common in the second half of it, let's say beyond the age of 45, if one is to set a limit.

Although he started with an insurance company, Houdard set foot in broking relatively early on and has remained in the business for nearly three decades with Segdwicks until it merged into Marsh, and then AON France. Lucas started with UAP Kemper and soon switched to risk management where he held several positions until he joined Publicis a year ago. Baugh has been with AIG for some time.



Clearly after so many years of a soft market, one commodity hard to find for the insurers is qualified underwriters with enough savvy to manage a profitable portfolio of business. They are "hot" on the market and, therefore, hard to get, hard to keep. Therefore, Baugh thinks that it is not reasonable to embark on long-term career plans, but more reasonable to set medium-term objectives for three to five years. This allows for a just compensation of the efforts developed by the individuals and an acceptable return on the investment made by the company to train and groom the individuals. Beyond that, too many variables interfere to make the future so unpredictable that a "new lease" might be in order to extend the contract.

In the broking business, the equivalent "hard-to-find" commodity is "account executives." In France, the last decade has been illustrated by an important turnover in account manager executives. Some even turned around the wheel of

the major three or four companies to end up in their previous job with a higher salary than those who remained "faithful." Clearly, this situation is not conducive to long-term employment and career plans. However, the industry is awakening to the fact that this may not be the best use of resources and recognition of team players' role, and the importance of retaining talents as a mean to strengthen the client/broker relationship is on the rise. The importance of rebuilding trust is even more important in the wake of the Spitzer investigation, which clearly has not yet finished healing, at least in the United States and in Europe.

The insurance industry has experienced so many fusions and acquisitions that it is very hard to evaluate the average tenure in a given firm. There is no indication of accelerated turnover in the last 10 years, but many companies have a problem of age pyramid due to the extended practice of "early retirement" in the last two decades of the last century. Clearly, the experienced underwriters retired at 55 or earlier, and they did not have time to train successors. Furthermore, they retired when the companies went for aggressive commercial strategies at a time when the market went through an extended period of soft conditions. This means that the generation of underwriters now in their mid-thirties or early forties joined the industry with a solid university background, but most of the time with scant training in insurance. As they were pressed to "write" business at any cost, they have no incentive to get formal training in the field. Furthermore, there is no equivalent of CPCU in France, similar to the CII in the United Kingdom. The previous generation came to the industry with little formal education and went up the ladder using the professional programs offered by the ENAs (Ecole Nationale d'Assurances) delivering certification at the junior college and bachelor level recognized by the ministry of education in France. Those coming to us with master's and MBAs did not attend these technical

courses that they felt “below their status.” This is the reason why it is essential now to train an entirely new generation of underwriters so that they learn the basics of building a sound book of business.

As we learn to live in a non-inflationary world, the annual raises in salary have gone from two digits to one digit on the average. However, there is a rising trend to have a substantial variable part in the total annual compensation package.

The globalization of the market has created the need for an additional competence: languages. It seems that to serve international clients, the account executives as well as the underwriters must speak at least one foreign language. English is practically a necessity, especially in the reinsurance world. But other languages on the rise are Spanish, German, and Chinese to name but a few.

Finally, what could we tell the young students joining our profession? This is a very challenging time and a profession offering many opportunities to grow in competence, in experience, and in compensation. However, the new recruits must be ready to invest their time and energy not only to acquire new knowledge today but to test them regularly to meet the new challenges the industry is confronted with as new risks emerge and the social expectations, awareness of them, and demand for security increase. ■

### Future of Career Development in the Insurance Industry Questionnaire

- What do you think about career plans defined by companies for certain employees?
- Do these still exist?
- What are some examples you have seen?
- What do you see as being the average time spent at a given employer going forward?
- How has this changed in the last 10 years?
- What is your analysis of this evolution?
- How should one manage relations with an ex-employer?
- What are the pitfalls to avoid?
- What should be an individual's remuneration strategy?
- In a non-inflationary world, how do you increase your chances for decent raises?
- What should employees consider in establishing career goals?
- How should employees identify and then work on their weaknesses?
- How important is networking?
- How do you manage your network?
- How have the recent industry mergers and acquisitions affected the employment market?
- What has been the impact of Internet and e-mail on the industry, and the employment market in particular?
- What place do foreign languages have in our industry?
- What was your biggest setback in your career?
- How did you rebound?
- What lessons did you learn?
- What one recommendation would you give students entering the industry today?

# The International Account

by Douglas K. Adams, CPCU

**W**hen the parent company of a non-U.S. firm decides it would like to open a division in the United States, what are some of the considerations it faces?

First, the vastness of the United States—geographically it is usually underestimated. Besides Russia, China, India, and Brazil, most other countries around the world can be traversed in a few hours. There is many a U.S. state that can hold a surprise for the non-U.S. resident. After hours of travel in many of the U.S. states, you might find that you are still in the state you originated.

Frequently, we hear our foreign clients discuss a planned travel itinerary that includes multiple stops in various states. The northeastern U.S. states look very close together on a map—yet, four hours of travel north, south, east, or west can find one still in the state of New York!

Recently when discussing a planned trip, we had to translate the trip into distances they would understand relative to their own countries. When they learned that the trip from Pittsburgh to Boston and back to New York City was the equivalent of Paris to Prague and back to London, they cancelled the plans and restructured the trip.

Second, we have 50 states—each with its own rules and laws. This is probably the non-U.S. citizen's greatest astonishment!

How can this be? Fifty different sets of insurance, employment, workers compensation, and incorporation laws? Recently, I participated in a meeting about bylaws and incorporation with a client. Its American lawyer was pointing out the value and advantages of incorporating in the state of Delaware. As the firm is not located in Delaware, that was the first confusing point. Compounding this, the recommendation was to revise the bylaws and re-incorporate in Nevada due to that state's favorable law changes.

The end result? To update the bylaws in either would be beneficial as it had not been updated since the mid-80s. That is a long time here in the United States! The Europeans, however, measure their time frames in hundreds of years, and it did not seem so urgent to them.

A long-term view is another issue.

They look for their patrons to help them and foster their growth. Our firm is on the fourth generation and has been in business more than 100 years. Impressive statistics to discuss with American clients. The same facts aren't nearly as impressive to the French client that has more than 500 years of history.

## Vacation Time

The U.S. standard is set at two weeks for a new employee. In Europe, the vacation is a sacred right. Five to six weeks are the norm. Many of the European firms carry more employees than their operation tasks dictate, just to cover for the time their fellow employees are gone on holiday. In the United States, we rarely use all of our vacation time. Europeans use it all.

## Sick Time

It is not something we really think a lot about here in the United States. If you are sick, get well and come back to work. In Europe, it can be expensive. The time out can reset and

start all over again after the last illness. Add that to the 11 or 12 paid holidays and six weeks of vacation time, and it is easy to see why the European firm desires to establish an office here in North America.

## Automobiles

The typical European firm affords an automobile to individuals when they are elevated to the role of manager within the firm. The typical American company does not.

## Other Perks

Golf club memberships and pensions. One contact in Singapore was telling the story of being appointed the new manager of his insurance company. Upon reaching the status of "manager" he was eligible for membership at the local Singaporean private country club. There are not a lot of golf courses in Singapore. Singapore is a small but very dynamic city and there just isn't a lot of room for golf courses. Anyway, the initial membership fee for entry into the club was \$175,000; paid by the company on his behalf due to the status of manager.

As I write this, I realized that I never asked if he even played the game of golf!

## Pensions

Pensions are still very common in the world. That is not so in the United States where the 401(K) plan has become the dominant retirement vehicle. Recently a client disclosed that its U.S. manager was about to retire and it was beginning the process of searching for a new manager. What benefits would be normal to offer as an employment package was the owner's question. The 401(K) plan was something new to it. ■



# Some Non-Business Tidbits

## While in France

There is no:

- Bubble Yum chewing gum
- screens on the windows
- portable, in-window air conditioners
- Fruit Loops breakfast cereal
- flying bugs (to speak of)
- ice in your drink—unless you ask
- “large” drinks
- doggie bags from your restaurant
- problem getting a table at your favorite restaurant when you have arrived at midnight
- terrible food! Everything is excellent!
- end to the wine
- shortage of history
- “jay walking” in Paris (you’re risking your life)
- rule prohibiting you from bringing your dog into the restaurant while you eat

## Springtime in Paris



## Ethics—

*A system of moral standardization of values.*

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Retired FDNY Battalion Commander Richard Picciotto will speak at the CPCU Society's Annual Meeting on September 10, one day before the fifth anniversary of 9/11.

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