

Welcome CPCU Society Europe Chapter!

Message From the President:

Welcome, Europe Chapter—both leaders and members—to the CPCU Society! You are now part of an international network of 153 other chapters (including the Japan Chapter, approved when Europe was) whose almost 27,000 members value professionalism and ethics.

Because of your geographic reach, your challenges will be different from those chapters serving more compact regions. We look to you to lead the way as proponents of technology as a facilitator of education, information sharing, and networking with each other, as well as your colleagues around the globe.

On behalf of the Board of Governors, and your new network, I wish you much success and the full support of the Society as you establish your chapter and expand awareness of the CPCU designation.

With very best wishes,

Hugh B. McGowan

Hugh B. McGowan, CPCU
CPCU Society President

From the Editor

by Iverne "Joan" Greene, CPCU, ARM, AMIM, CPIW



■ Iverne "Joan" Greene, CPCU, ARM, AMIM, CPIW, is owner and managing director of Joan Greene and Associates, Inc., Insurance and Risk Management Consultants located in Danville, California in the San Francisco Bay Area.

She received her CPCU in 1972 and has served on the CPCU Society's national Education Committee and International Insurance Section Committee, for which she has served as editor of its highly regarded newsletter for the last several years.

Our warmest congratulations to the Europe Chapter Steering Committee for its untiring work making this chapter a reality. The International Insurance Section Committee has watched and reported your progress to our members and is extremely proud of your achievement. This is a major milestone in CPCU Society history.

On a personal note, I received my designation in 1972 and have watched the Society grow and prosper for 30 plus years. Since most of my work in our industry has been in the international arena, it has long been a goal of mine to stay active in the Society at least long enough to see it take its well-deserved

place as an international organization. With the Bermuda Chapter chartered in 2000, and now chapters in Europe and Japan, we are indeed international. The Japan Chapter will be acknowledged in our next issue. CPCU is well on its way to be recognized as the premier global education designation for our industry. ■

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Welcome to our Japan Chapter

Meet the CPCU Society's Europe Chapter Executive and Steering Committee Members

President

Anthony E. Fienberg, CPCU, ARe, is 34 years old, and married with three-month-old twin girls. He was born in Chicago and received his bachelor of arts degree in economics from Franklin & Marshall College in Lancaster, PA.

Fienberg began his professional career in the early '90s as an underwriter with Prudential Re's International Department. He then started up CIGNA's Directors & Officers Liability continental European book of business, based in Paris. After ACE took over CIGNA's international operations in the late '90s, he joined Chubb to develop its middle market business for the financial lines (D&O, crime, EPL, K&R). He is now also heavily involved on a pan-European basis in management information and operations for Chubb's Specialty Insurance Division (including financial institutions), as well as alternative distribution for the D&O product (banks, other insurers).

On a personal front, he is an avid ice hockey player and teaches a master's course on property and casualty underwriting at the Université de Paris IX—Dauphine.

Vice President

Thomas Seidl, CPCU, is head of Munich Re's global e-business Centre of Competence, and is responsible for the reinsurance group's worldwide e-business strategy, projects, and ventures. His main charge and challenge is to ensure the effective realization of technology-driven innovation potential.

He has 13 years of experience in IT, consulting, underwriting, and management functions at Munich Re and became a deputy member of the Executive Management in 2000. He holds a master's in mathematics and computer science, and the CPCU designation.

During his career he has lived and worked in Europe (currently Munich, Germany), the United States, and Asia. As a proud father of three children, time is naturally limited to pursue hobbies such as tennis, golf, mountaineering, photography, music, and philosophy.

Treasurer

Pierre Fonteyne, CPCU, was born on March 11, 1946. He studied business administration at Brussels Free University (Solvay Business School) and later completed the CPCU program.

Fonteyne spent 10 years with the broker Henrijean, later acquired by Marsh. Thereafter, he joined Zurich Belgium as international casualty underwriter.

He specialized in writing international liability programs for Belgian companies having activities worldwide.

Fonteyne lectures on liability insurance at the training center of the Union of Belgian Insurers.

Secretary

Daniel Hess, CPCU, ARM, CIB, is the owner and developer of ABRAXAS INSURANCE AG and acts currently as the legal representative of Liberty Mutual Insurance Europe Limited in Switzerland. ABRAXAS INSURANCE AG is also writing a book of E&O business on Liberty's behalf. It also has a mandate from Reliance National in London to handle the run-off business in Switzerland.

Prior to that, Hess was general manager for Reliance National Insurance Company (Europe) Ltd. and has had experience working with various insurance, reinsurance, and intermediaries in responsible roles both in Europe and the United States.

Educated in Switzerland and the United States, he attended language school at the University of Redlands, and received his CPCU designation in October 1989.

Membership/Candidate Recruitment Task Force Chairman

Ralph Ronnenberg, CPCU, ARe, joined the industry in the late '80s and currently lives in Munich, Germany. He is a senior underwriter at Munich Re's Centre of Competence for Retrospective Reinsurance Solutions. In that capacity he is responsible for structuring and pricing Loss Portfolio Transfers and Adverse Development Covers for Munich Re's worldwide clients.

Prior to that position, Ronnenberg has held various marketing and underwriting positions within Munich Re's Asian division both in the company's Munich and Hong Kong offices.

Ronnenberg is 36 years old and married with one son. He loves traveling and is a very keen fly fisherman.

Visibility Task Force Chairman

Michael S. Ricks, CPCU, is a partner of Deloitte Consulting and member of Deloitte's global leadership team for the insurance industry. His industry experience includes roles as underwriter with American International Group, broker in Johnson & Higgins' international department, overseas representative to Jauch & Huberer, deputy general manager of Unison, and as a consultant to the industry with Deloitte Consulting. He has been based in Europe since 1990 with pan-European responsibility. Ricks has a B.B.Ad. in international business from Gonzaga University, an M.B.A. in international business from Thunderbird, The American Graduate School of International Management, and has studied at the European Business School and INSEAD. Ricks and his wife Julia live in Munich and Zurich. He is an avid pilot and enjoys skiing and rugby.

Education Task Force Chairman

Cary Depel, J.D., LL.M., CPCU, ARM, AIM, ASLI, is managing director of NOS Risk Works Ltd., and advises businesses on enterprise risk management and corporate strategy. The business also has a deep knowledge of the London and U.S. insurance markets. Depel has lived in London, England with his family for 10 years. Prior to that he lived and worked in San Francisco as a lawyer in private practice.

Depel is an English solicitor and a California lawyer with law degrees from the United States (Indiana University—J.D.) and England (King's College London—LL.M. in corporate finance and banking law). Aside from being an active CPCU Society member, he is also a Fellow of the Chartered Insurance Institute (FCII), Institute of Risk Management (FIRM), and Chartered Management Institute (FCMI).

Information Technology Task Force Chairman

Sven Ramspott, CPCU, is based in Zurich working in the field of internal audit for insurance clients. He has worked for several years on the edge between business and information technology, and headed a running online banking operation with several thousand clients in Switzerland. Previously he worked in Maryland (United States) on Internet projects. He is an insurance businessperson with a solid IT understanding.

Steering Committee Member

Anthony L. Cabot, CPCU, has been country manager for XL Insurance Global Risk Italy since 1998. Along with operational and administrative responsibilities for a staff of more than 40 employees, the country manager (CM) acts as the main interface between XL and its clients, consultants, and brokers. Prior to the current position of XLI Italy country manager, his responsibilities were sales and marketing manager for the West Coast (opened the Los Angeles branch office) and client relationship manager—East Coast (New York City office).

He is a member of CPCU Society's International Insurance Section Committee and a founding member of the CPCU Society's Europe Chapter.

Cabot is also active in the Italian Academic Risk Management Association and as a speaker and sponsor of the University of Verona's Risk Management program.

Steering Committee Member

Laurie Fraser, CPCU, is employed by Willis in the United Kingdom.

Steering Committee Member

Stephan H. Hochburger, CPCU, ARe, is senior underwriter treaty casualty/Finite Re and account manager for Munchener Ruckversicherungs-Gesellschaft, in Munich, responsible for North and Latin America, Mexico, and the Caribbean. Prior to that he handled treaty underwriting for Latin America. After completing his military duty in 1987, he was employed by Munchener Ruckversicherungs-Gesellschaft in 1989 and left to do U.S. facultative reinsurance for American Re and Munich Re before returning in 2001.

Hochburger is married and has two children.

Steering Committee Member

George G. Johnson, CPCU, is employed by Shell Chemical in the United Kingdom.

Steering Committee Member

Marc Robinson, CPCU, ARM, has more than 20 years of experience in the insurance industry. He has held various positions in underwriting, sales, strategic development, account management, and risk management. His main focus has been on multinational clients and large domestic clients. Before taking on his current position as a key account manager for the fourth-largest Swiss insurer, he spent three years as an insurance manager in the Risk Management Department of a large multinational financial institution with global and national responsibilities. During his professional career, he has lived and worked in Australia, the United States, and Switzerland.

In his current job, Robinson is responsible for managing relationships with existing clients and acquiring new target clients in the large account segment, which is loosely defined as companies with more than 100 employees and/or U.S. \$30 Mio. turnover. The job entails establishing and maintaining contacts, managing account teams, and coordinating underwriting, risk engineering, and claims activities.

Robinson is 36 years old and lives in a small village near Zurich, with his wife Brigitte, his seven-year-old daughter Jelisa, and his four-year-old son Jesse. Robinson still enjoys playing soccer twice a week in the senior soccer league. ■

Asbestos Claims in Europe

by Mohammad Khan

■ **Mohammad Khan** is a senior consultant within the U.K. casualty practice of the Actuarial and Insurance Management Solutions Division of PricewaterhouseCoopers.

United States asbestos claims have been front-line news recently with the proposal for the establishment of a U.S. trust fund. But what's happening with asbestos claims in Europe? Will the situation deteriorate as in the United States?

Background and the United States

Asbestos—it used to be known as a miracle mineral. It was impossible to set on fire, was in abundant supply, cheap to mine, and very easy to manufacture into a variety of products. Consequently it was heavily used in the shipbuilding, engineering, and construction industries all over the world.

In the United States, asbestos compensation occurs almost exclusively through the legal system. Payouts for mesothelioma—the signature disease for exposure to asbestos—of \$20 million per person have been seen. The total cost arising from all past, present, and future U.S. asbestos claims has been estimated to be in the region of \$200 to \$275 billion. It has been estimated that the non-U.S. insurance markets' share of this U.S. loss will be \$30 billion. To put this into perspective, the largest one-off insured loss in history—the World Trade Center disaster—has an estimated cost of about \$40 billion.

The asbestos problem doesn't just affect insurers' balance sheets. So far about 60 non-insurance companies who mined, manufactured, processed, used in their products, or had some connection with asbestos have gone into Chapter 11 insolvency—the U.S. equivalent of bankruptcy. The sheer volume of asbestos claims has been rising so quickly that more than half of these Chapter 11 insolvencies occurred in the last two years.

Due to this, at the time of writing, the Judiciary Committee of the U.S. Senate

has proposed to set up a trust fund that would pay out asbestos claims and try to rein in the huge legal costs that are part and parcel of the U.S. asbestos claims system. The committee's proposal has been met with an almost equal amount of support and opposition by the various stakeholders—asbestos claimants, employers, and their insurers.

What about Europe?

The method for European asbestos sufferers to claim compensation varies significantly across Europe. This article will consider the compensation systems in France, the Netherlands, Germany, Italy, and the United Kingdom.

France



In France, claimants are able to claim from Le Fonds d'indemnisation des Victimes de

l'amiante (FIVA—Fund for Victims of Asbestos Exposure). The fund was set up to simplify compensation procedures and speed up claim payments as FIVA guarantees to make an offer to each claimant within six months.

If the claimant accepts the offer, the matter is closed and the claimant cannot go back to the courts. If the claimant refuses the offer, he or she can try the court system. Pierre Béchade, head of commutations at SCOR, recently indicated that recommended levels of compensation from the fund for a 60-year old are approximately $\text{¥}275,000$ for mesothelioma and $\text{¥}90,000$ to $\text{¥}110,000$ ¹ for non-terminal cancer.

The intention is that FIVA will recover payments from the relevant negligent employer(s) and their insurers with the exposure of insurers estimated to be $\text{¥}5.3$ billion over the next 20 years.

The fund currently has $\text{¥}800$ million funded by the state, liable employers, and their insurance companies and has made 976 offers to claimants.² As of March 31, 2003, the fund hadn't fully settled any of its claims.

Netherlands



In the Netherlands, mesothelioma claimants whose exposure took place less than

30 years ago can claim from the Institute for Asbestos Victims (IAV). The IAV makes advance lump sum payments of $\text{¥}16,000$ within a few weeks of mesothelioma claims being received. Average payments are about $\text{¥}50,000$.² As with FIVA, although the government will try to recover the expenses from the negligent employer, the claimant will be paid regardless.

In the Netherlands, mesothelioma claimants whose exposure took place more than 30 years ago can claim from the Government Asbestos Institute (GAI). However, the average payout by the GAI is $\text{¥}17,700$ —substantially less than that from the IAV.

At the time of writing, workers who contracted a non-mesothelioma disease from exposure to asbestos cannot claim from either fund. Their only option appears to be to sue their employer. Insurers would end up paying most of these claims.

Germany



Any worker who succumbs to an asbestos-related disease due to exposure in Germany

can claim from the State "Berufsgenossenschaften" (occupational health) system.

Although no German industrial company (or its insurers) has yet been ordered to compensate an asbestos sufferer, commentators think this situation may change. Currently, all German companies pay a premium and these public-law occupational accident insurers cover their corporate liabilities.

Since 1980, there have been 11,000 asbestos-related deaths. Scientists predict that between 2002 and 2020, 20,000 more Germans will die. It is not clear whether the state will seek to claw back payments from companies and their insurers given the potentially increased amounts in payments they may have to make in the future.

Italy



In Italy, asbestos claimants must notify INAIL (Istituto Nazionale

Assicurazione Infortuni sul Lavoro—National Insurance for Accidents at Work). INAIL assesses each case and then notifies the INPS (Italian State Pension Department). The package of benefits available for sufferers of asbestos-related diseases in Italy includes:

- early retirement
- increase of pension benefits
- increase of salary

Typically, the increase in pension benefits is estimated by increasing the pension contribution for the period they were exposed to asbestos by 50 percent. However, this only applies to workers who have been exposed to asbestos for a minimum of 10 years.

INAIL has the ability to recover payments to claimants from any negligent employer. For these payments, the employer can claim back under a specific insurance policy—RCO (Responsabilità Civile Operai). However, for claims before 2000, RCO policies will only reimburse pain and suffering awards. To date, INAIL has not made much use of its ability to claim against RCO policies.

United Kingdom



There are three ways for people suffering from asbestos to obtain compensation.

They can sue their former employers (or the companies responsible for the

exposure to the asbestos); they can claim benefits from the DWP (Department for Work and Pensions) and the state benefit system as many of the asbestos-related diseases are recognized as prescribed diseases; and some sufferers can claim from the Pneumoconiosis etc. (Workers Compensation) Act of 1979. This act was passed to allow the Department of Environment to pay compensation to sufferers of specified dust-related diseases where their former employers were bankrupt and/or couldn't have a court case brought against them. However, it should be noted that asbestos-related disease claims paid under this act are significantly lower than court settlements and awards.

The largest ever mesothelioma payout was £4.25 million in 2003, but this was an exceptional payment to the family of a mesothelioma victim who had co-owned the world's biggest retread firm, which had been sold for £30 million in 1998.

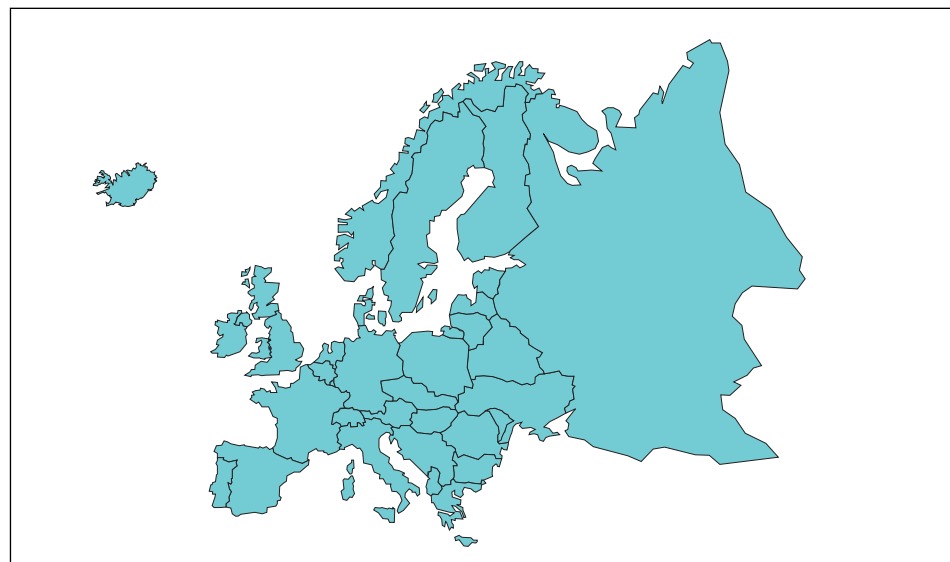
According to the Trade Union Congress (TUC), average payouts for mesothelioma vary between £50,000 and £100,000. An analysis of newsletters produced by the London law firm of Norton Rose showed that average payments were £98,127 for mesothelioma, £67,082 for asbestosis, and £57,726 for lung cancer.³

Based on detailed exposure-based analyses, PricewaterhouseCoopers estimates that the total U.K. liabilities may be in the region of £7 billion to £18 billion.

Will European Asbestos Claims Follow the United States?

Although European culture is not nearly as litigious as the United States, there are signs that European countries are starting to adopt more litigation-friendly practices. The House of Lords Fairchild ruling in the United Kingdom last year allowed workers to claim compensation even if they had been exposed to asbestos at more than one employer and the employee couldn't prove which employer's exposure was responsible for the mesothelioma. The more recent *Phillips v Syndicate 992* ruling allowed mesothelioma claimants to recover the full amount of damages from one solvent employer—even if the claimant was exposed to asbestos from more than one employer. In France, the Supreme Court of Appeal ruled that an employer's inability to provide a safe workplace was an "inexcusable fault," which made it easier for French workers to sue their former employers. In March 2003, a U.K. asbestos company (Cape plc) was sued successfully in the United Kingdom by South Africans who were exposed to asbestos from its mining and processing operations in South Africa. This particular ruling has potential negative implications for asbestos multinational companies that operate in other

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Asbestos Claims in Europe

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countries. U.S. lawyers have proved adept at spotting opportunities to obtain compensation for their clients and there is no reason to expect European lawyers will be any different. There are, however, still important differences between the United States and European asbestos claims environment.

In the United States, typically non-malignant claims have been bundled with a single malignant mesothelioma claim. Due to the high costs of court awards, U.S. insurers settled these bundled claims. However, this strategy backfired as lawyers actively searched for people with asbestos exposure—rather than for people with asbestos diseases. Consequently, the surge in U.S. claims is being driven by claims from claimants who are not actually suffering from an asbestos-related disease. Of the 91,000 cases filed in 2001, only about 6 percent of the claimants were suffering from asbestos-related diseases.⁴

Compensation in Europe, however, has generally only been paid to those people suffering from asbestos-related diseases, rather than to the lawyers and co-claimants in these “bundled” lawsuits.

In Europe there is an absence of lawyers’ contingency fees, cost recovery, bundling of claims, and punitive awards, though the United Kingdom does allow the limited use of contingent fees and cost recovery. There is consequently less incentive for

lawyers to attempt to claim for non-malignant claims through the courts.

Should the Insurance Industry and Companies that Worked with Asbestos Be Worried?

In a study of mesothelioma deaths in the European Union (EU) in 1999, Professor J. Peto et al estimated that 250,000 people will die from mesothelioma in the European Union over the next 35 years, and the total number of deaths arising from asbestos (not just mesothelioma) could range between 250,000 and 400,000 people.⁵ The latest epidemiological studies seem to suggest that the incidence of asbestos disease in Europe is about 20 years behind that of the United States.

Based on some recent modeling exercises, PricewaterhouseCoopers has estimated that total discounted European asbestos liabilities may be in the region of \pounds 30 billion to \pounds 70 billion.

The insolvencies of Builders Accident and Chester Street in the United Kingdom are reminders that European asbestos liabilities—although smaller than in the United States—need to be taken seriously. Insurers and companies that worked with asbestos need to evaluate their reserves carefully based on a detailed understanding of the underlying exposures and factors driving

levels of claims activity. In particular, they need to consider legal judgments, the future legal uncertainty in the particular European Union country, the propensity of an European Union country’s citizens to claim from the private sector, and epidemiological data.

The existence of European State schemes and safety nets may mean that there will be fewer corporate and insurance insolvencies compared with the United States. However, European asbestos claims are likely to impact these companies’ future trading results, reputation, and share price. The increasing annual number of asbestos-related deaths and the continuing exposure of people to asbestos even now suggests that insurers and affected companies should, at the very least, ensure that they work with their claims teams to identify all possible exposure to asbestos, and regularly review not only their reserves but also both the quantitative and qualitative factors affecting the reserves. ■

Endnotes

1. Practical Difficulties, Summer 2003, Run-Off Business.
2. Rapport d’activité au Parlement at au Government établi par le Conseil d’administration, Juillot 2002/Juin 2003, FIVA.
3. Presentation made at the Slovenian Asbestos Conference 2003 entitled “A Comparative Review of European Asbestos” by Laurie Kazan-Allen, coordinator of International Ban Asbestos Secretariat (IBAS).
4. *The Economist* (May 25th – 31st 2002).
5. Peto J. et al 1999, “The European Mesothelioma Epidemic,” *British Journal of Cancer*, Vol. 79, February, pp. 666–672.

Assurability of Claims-Made Policies in France

by Anthony Fienberg, CPCU, ARE



■ **Anthony Fienberg, CPCU, ARE,** joined Chubb to develop its middle market business for the financial lines (D&O, Crime, EPL, K&R). Fienberg is also heavily involved on a pan-European basis in management information and operations for Chubb's Specialty Insurance Division (including financial institutions), as well as alternative distribution for the D&O product (banks, other insurers). He is currently serving as president of the CPCU Society's Europe Chapter.

For more than 10 years, liability insurers in France have been left to their own devices, as the country's Supreme Court struck down the admissibility of claims made, since a viable basis for insurance policies. Some had gone back to occurrence-based policies. Some had forced insureds to sign an agreement in the policy's introduction, that despite the court's ruling, they agreed to take out a policy on a claims-made basis and the premium was calculated on that basis. Still others, like the directors and officers insurers, whose reinsurance imposes policies being issued on a claims-made basis, have pretended the decision did not concern their line of business and have offered 36 months' automatic discovery period without additional premium as a panacea.

During the summer of 2003, a new law was passed that overturned the court decision and admitted the assurability of claims-made policies. Some segments were specifically excluded—for example, personal lines. For the rest, conditions for admissibility were imposed, which for the majority means that they must offer a 60-month discovery period. Although insurers can charge additional premium for the discovery period, questions remain on how the law intended it should be triggered and in which cases it applies when coverage is changed—for instance, when an exclusion is added at renewal. Insurers had to conform to the new regulations by November 1, 2003. Most of the implications will not be known for

years, until claims disputes arise and the courts eventually rule on them.

The vast French liability market is already known as one of Europe's most competitive. With this new regulation, most insurers present in France hope that this is a step towards a fairer market, in which insurance companies can start making money in the various liability classes. ■

Un “Fuori Campo” or How I Hit a Home Run in Italy

by Anthony L. Cabot, CPCU

■ **Anthony L. Cabot, CPCU**, is country manager for XL Insurance Global Risk Italy. Cabot is a member of the CPCU Society's International Insurance Section Committee and is currently serving as a member of the Steering Committee for the Europe Chapter.

How does a baseball fan living in Italy satisfy his love of the game in a country where soccer is the first, last, and only national sport?

Whenever I meet colleagues from around the group and have the chance to explain our Italian operations, the wonderful culture, and some of the idiosyncrasies of doing business in Italy, they are surprised to learn that I am not an Italian who speaks English but an American who speaks Italian!



Once this little discovery is made, the first question is inevitably “Do you miss the States?” This is a difficult question to answer because my response is often misconstrued. My response is simply, “every day.” Even after 13 years of living in the Milan area, for me there is a moment in the early morning when I feel far from home. It is hard to describe this feeling but I would say that it is the difference in “cultural” rhythms of the morning.

I grew up with the milk and the newspaper being delivered to the front door of our single-family home at the break of dawn for a peaceful breakfast before heading off in the car for work. Now it is a short walk to my local café for a cappuccino and brioche, picking up the newspaper at the newsstand along the way, past the cathedral built in the thirteenth century, and finally to the office. A small and subtle change in a simple ritual, but it is in this moment that I feel I have become Italianized. As the rest of the day unfolds, there are certainly other differences but I would say these are quite evident and I have adjusted to these changes. First and foremost are the language and how a message is conveyed in an almost physical manner. The use of the hands, the shoulders, and the head to make a point is really an art in Italy. When I am back in the United States on holiday, if my brothers and sisters want to keep me quiet all they need do now is to tie my hands.

What is it like for an American living in Italy? It is like owning a Ferrari and driving at 30 miles per hour. It is going out to dinner with friends, whether it is a simple pizza or an elegant seven-course meal and feeling like you are sitting in your own kitchen. It is the fine art of soccer, no matter which team you cheer for (in my case either AC Milan or Inter Milan) wherein a match ending in a 0-0 result can be compared to a Botticelli painting or a Da Vinci invention, and the coach is compared to a Roman emperor.

But what do I really miss most about the States? It may sound a bit funny but this question is easiest for me to answer. I am a baseball nut who desperately misses

American baseball. It's not easy, and I have made the adjustment by finding some unique ways to fill this void.

I currently play on an Italian fast-pitch softball team in the position of starting shortstop. (For my soccer-loving colleagues, that means I am the first line of defense against the hitter.)

I coached an Italian C level men's baseball team for five years. And on weekends, I present an Italian radio show on baseball and American sports in general.

Last November, I realized a long-time dream and attended, as the only European participant, the Los Angeles Dodgers Adult baseball camp in Florida, playing and being coached by some of the greats, past and present. Gentlemen ballplayers like Duke Snider, Carl Erskine, Steve Garvey, Maury Wills, Tommy Davis, and many more allowed a baseball fan and player like myself to relive the stories of my youth, recapture some past glories (albeit minor glories but mine nonetheless), and join with likeminded people to share the experience.

For the differing areas of interest we find in the international arena in which XL Insurance Global Risk operates, you could definitely say it would be like sharing an evening at the ballet with Baryshnikov, a day at the Louvre discussing art with Chagall, or playing soccer with Ronaldo, Zidane, and Beckham.

When you visit the XLI GR office in Milan, you will find a small portion of my office dedicated to baseball. My little homage to the sport, which is almost impossible to explain in Italian, includes baseballs signed by Mickey Mantle, Duke Snider, Carl Eskine, and many other well-known Dodgers. You will also find a baseball bat from the Hall of Fame, replica helmets from the Dodgers and Yankees, and some special baseball cards. It may seem a little out of place in the land where soccer is the king and baseball but the court jester, but it is my small bridge to America and America's pastime. ■

Situation in Switzerland

by Daniel Hess, CPCU, ARM, CIB

■ **Daniel Hess, CPCU, ARM, CIB**, is owner and developer of ABRAXAS INSURANCE AG, and acts currently as the legal representative of Liberty Mutual Insurance Europe Limited in Switzerland. Hess is currently serving as secretary of the CPCU Society's Europe Chapter.

The insurance market in Switzerland is like in all other countries on the upswing, as all the insurance carriers are trying to increase their premiums as the investment returns have been lacking in the last couple of years. Especially prevalent is in the field of property and in the lines of D&O coverages. Also, the various types of accident insurances are prone to premium increases.

However, the biggest issue for the time being is in the line of pension funds. As this area is governed by law by the

Bundesgesetz über die berufliche Vorsorge (BVG), there are some requirements that insurance carriers have to follow. So far the law has mandated that the funds have to be invested in secure investments, and the carriers had to guarantee a return on investment of 4 percent. As everybody knows in the last couple of years after the burst of the stock market bubble, this has rather been difficult to achieve. The big insurance carriers are trying to unload their investment risk onto the customers, who on the other hand are sticking to their contracts showing the 4 percent investment rate. This year the federal counsel has reduced the mentioned rate to 3.25 percent, which is still difficult to achieve with the current market conditions. Most of the insurance carriers are trying now to cancel respectively to adapt their insurance contracts to the new parameters much to the detriment of

the small- and medium-sized enterprises. They now have a hard time to find a carrier at all, and due to the law they cannot change carriers and are forced to accept the increases in premiums and administration costs that the carriers are proposing. Some of the insurance carriers have altered the average lifespan of insureds and have changed the rate with which the annual benefit is calculated. (This used to be 7.2 percent, whereas the Winterthur and the Zurich have changed this rate to 5.655 percent, which means that beneficiaries are receiving a substantial reduced amount at retirement.)

There is so much flux in the situation that at the time being one cannot predict which direction this will go. We will continue to keep you informed about this situation. ■

The Grass Is Greener on the Other Side of the Pond: Employers Liability in the United Kingdom

by Cary Depel, CPCU, ARM, AIM, ASLI

■ **Cary Depel, CPCU, ARM, AIM, ASLI**, is managing director of NOS Risk Works Ltd. Depel is currently serving as chairman of the Education Task Force for the CPCU Society's Europe Chapter.

Our American colleagues will scratch their heads when they learn that many leading U.K. risk managers, brokers, and insurers feel the current U.K. employers liability system has spiraled out of control *and that the U.S. no-fault workers compensation system is superior to the U.K. system*. To be fair, the U.K. pundits would, when constructing a new system, cherry-pick those things that work well in the United States. Still, for any U.S. business with a robust business model, it would seem that the U.K. presents a unique opportunity for geographical expansion.

At the moment, the United Kingdom has an estimated 200,000 businesses trading illegally without EL insurance coverage. This figure is set to rise dramatically in 2004 year and is anticipated to hit small-to mid-sized businesses very hard. Only four carriers currently offer EL (it was five at the beginning of summer 2003).

A number of factors are contributing to the worsening claims trends and highly priced, restricted, or unavailable coverage. Britain has become much more litigious and damage awards are becoming more generous, even in the absence of a civil jury system. A new set of regulations addressing asbestos in the workplace will put an onerous burden on U.K. business, particularly in the manufacturing, transport, construction, healthcare, and higher education sectors. Removing asbestos from workplace premises has been estimated to reach £80 billion. Finally, the confluence of changes in societal values, changes to the justice

system, a government infrastructure in dire need of capital and process improvements, and the terminal decline in socialized medicine are contributing to the current crisis. Most of these same factors are contributing to the very hard market for professional indemnity and directors and officers cover as well. ■

Editor's note: The previous four articles were contributed by members of the Europe Chapter for this issue. The views, information, and content expressed are those of the authors and do not necessarily represent the views of any of their employers who did not participate in nor take a position on the nature, quality, or accuracy of such content. The information provided should not be relied on as legal advice or a definitive statement of the law in any jurisdiction. For such advice, an applicant, insured, listener, or reader should consult their own legal counsel.

Where Are You Going Today—Western Europe? United Kingdom?

Compiled by Iverne “Joan” Greene, CPCU, from information provided by our members, others in global industries, the Internet, and previous issues of *IQ*.

Editor’s Note:

Readers tell us that one of their favorite columns in *IQ* is “Where Are You Going Today.” This issue contains valuable insights into the business culture of France, Germany, Italy, the Netherlands, Switzerland, and the United Kingdom. You can access similar information on Belgium and Greece by visiting the web site at <http://international.cpcusociety.org>.

Let’s get down to business European style. These countries may belong to a common market but their traditional European business manners are not entirely in common, or so say our business acquaintances who live or travel in Europe, our European friends, and the Internet.



The French Mean Business Dress

The French will perceive the way you dress as a reflection of your social status and relative success. Generally, dress tends to be on the formal side for both men and women, whether in business or social situations. Men should wear dark suits, particularly during the winter and when visiting the north. Women are advised to dress simply and with elegance. Accessorizing, which adds flair to even very simple outfits, is also widely practiced here.

When you receive an invitation stating “informal” dress, don’t assume you’ll be welcome arriving in a t-shirt and sweatpants. For a social gathering,

informal more often than not means tastefully coordinated clothes, sometimes including a jacket and tie for men. An invitation stating “formal” dress usually means formal evening wear, which is very dressy by American standards.

Conversation

You’ll find that conversations often shift into spirited debates. Give opinions only on subjects that you are knowledgeable about. Studying French history, politics, and other aspects of the culture will be an advantage for you in conversation.

Be prepared to answer questions about your own country, especially regarding political matters and its history. There is rarely a moment of silence, except when the topic under discussion has been exhausted, and nothing new has been introduced.

Welcomed Topics of Conversation

- food/praising French cuisine
- art, music, and philosophy
- sports
- current events/history (if you know what you’re talking about)

Topics to Avoid

- It is extremely bad manners to ask an individual about his or her political leanings or how he or she voted. You can, however, inquire about the political system or public opinion about political leaders.
- Do not criticize Napoleon, who has a lasting identity with the French spirit.
- Refrain from using the standard U.S. conversation opener, “What do you do?”
- Avoid making personal inquiries in the course of a conversation, especially during first introductions.

Language

The French, like natives of other countries, think more highly of you if you at least try to speak their language, as long as you don’t slow the meeting down while you look words up in a dictionary. But, in any event, do master the correct

inflections of “bonjour” (hello) and “au revoir” (good-bye); the French find mispronunciation of their language somewhat offensive. They usually speak English with more fluency than we do French; (or maybe also English), so if you can’t speak the language at all, English would be the better choice.

First Name or Title?

In accordance with French business protocol, use first names only when invited. Use of first name has become common for colleagues at work. This is less frequent when age or position gap is very large. Outsiders, clients, and suppliers are usually referred to as Monsieur or Madame. Make a point to use titles when addressing the French (Madame, Mademoiselle, Monsieur, Professeur, or Docteur), minus the surnames. Two titles can, and often should, be used together, like Monsieur le Professeur. Women should not be insulted if referred to as Madame even when not married. Madame is used to address all women 18 years or older. “Madame” is a basic title of courtesy for all women, as is “Monsieur” for men. Today, the courtesy title “Mademoiselle” is rarely, if ever, used and should be avoided.

The French will sometimes introduce themselves by first saying their surname, followed by their first name; if both sound like first names, this can be especially confusing (i.e. if Maurice François introduces himself as “François,” “Maurice”). If unsure, be sure to ask.

For casual contacts such as waiters and clerks, courtesy titles such as “Monsieur” or “Madame” will suffice. When entering a store or restaurant, you may say “bonjour” or “bonsoir,” and “au revoir” upon leaving.

Let’s Make a Deal

Handshakes begin and conclude negotiations. Avoiding a strong grip probably stopped in the ’90s. Most businesspeople in France read English, so there is no need to

have your business card translated into French. But if you do have your card printed in French, it should indicate your position in French and your university degree, if it is at the Ph.D. level. Avoid two-sided cards. It's strongly recommended that you learn basic French phrases and use them whenever possible. Your efforts will be well appreciated and remembered. The French will revert to English if they see you floundering. When you speak their language, be gracious if the French correct your mistakes in grammar or pronunciation. Usually, people who make these efforts care about the French language and are only trying to help you speak it effectively. The French tend to focus on long-term objectives and will try to establish firm personal relationships with the other negotiating party. During a first meeting, remain polite and cordial, but keep in mind that the French tend to be suspicious of early friendliness. The French can be very direct, questioning, and probing, so a carefully planned, logically organized proposal is very important. Moreover, it is likely that the French side will focus on the aspects of your proposal that require further explanation.

You may find that the French tend to treat the business discussion as an intellectual exercise. Logic will dominate arguments on the French side. Moreover, they will be quick to criticize anything illogical stated by the opposition. Arguments tend to be made from an analytical, critical perspective that is articulated with eloquence and wit. Also, one's personal feelings or belief in an ideology may enter into the presentation. Although the French can often be persuaded to change their opinions, they will not accept anything that deviates from the cultural norm. They are, however, receptive to any new information that enhances the spirit of debate.

The French will judge you on your ability to demonstrate your intellect, and this often involves discussing confrontational ideas and engaging in rigorous debate with them. You will earn their respect if you can handle yourself well in these situations. Don't be too concerned if your

opinions differ from those of your opponents; what matters is your ability to effectively defend your position, demonstrate that you are well informed, and maintain your composure. Discussions are likely to get far more heated and intense than you may be accustomed to in North America.

Public Behavior

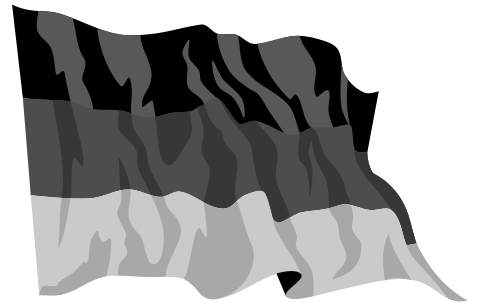
If you can't speak French, preface what you are saying whenever possible with: "Excusez-moi, s'il vous plait, de vous déranger, mais je ne parle pas français" ("Please excuse me for bothering you, but I do not speak French"). If you say these words, you are more likely to receive assistance.

Men should stand, or at least initiate a move to do so, whenever a superior makes an entrance. Good posture is considered a sign of breeding in this culture. Expect to be greeted by a handshake; kissing on the cheeks (across genders) is also common amongst colleagues at work. It is not extended to outsiders and you should not attempt it until your female colleagues have made the initial move. Despite the formality of French business culture, people tend to stand close when speaking to each other. Moreover, touching a shoulder or patting an arm is also commonplace and usually within the bounds of French business etiquette. Maintaining eye contact is important, but try not to focus too intently on the other person.

Offensive Gestures

- Chewing gum in public is considered vulgar.
- Keep your hands out of your pockets when in public.
- Slapping an open palm over a closed fist is offensive.
- Snapping fingers is also considered offensive.
- Smiling is treated only with indifference here. It will not be perceived as a greeting or as an indication of approval.
- If you feel the need to point, motion with your whole hand, rather than your index finger.

- Make a writing gesture in the air to summon for the cheque.
- The U.S. "OK" sign (forming a circle with the thumb and forefinger) actually means "zero" or "useless" in France. The French "OK" symbol is the North American "thumbs up"; use this symbol to express approval.
- Another no-no is touching your finger below your eye. It means "mon oeil" in French, and indicates you don't believe what the person has said.
- Sneezing in public is not good form in France. Should you arrive with a cold or allergy, do bring tissues or do your best to excuse yourself to another room when you feel a sneeze coming on.



The German Business Experience

Plan a Meeting

At your meeting, which will start punctually, the men will greet each other with firm handshakes. Don't expect it if you are a woman, but don't be offended because it is not polite to shake a woman's hand unless she offered it first. This is on both a personal and professional level. In many cases, it is the same with business cards; men will exchange but a man will only exchange his card if the woman gives him her card.

Men rise when a woman enters a business meeting or even when carrying on a conversation with a woman.

However, the latter practice is fading out except with members of the "old guard," who still prefer a standing conversation. Use titles Mr., Mrs., or Ms., if introduced that way. Germans familiar with United States mannerisms will address you on a

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first-name basis; otherwise, they will be formal.

Introductions

When it comes to making introductions in Germany, there is a noteworthy difference between how it is done in private life and how it should be done professionally. Within an organization, the individual of higher rank is responsible for introducing anyone who is new to the group. For example, a trainee would be introduced to his or her new colleagues by his supervisor or his mentor. A new professional employee would be introduced by his or her manager.

Shaking Hands

In Germany, shaking hands is a common custom. However, who initiates a handshake can be more perplexing than you might expect. In deciding whether or not to initiate a handshake when introducing yourself, keep the following tips in mind:

- The colleague higher up the corporate hierarchy always has the “handshake initiative,” or the right to offer his or her hand first.
- If you approach a group of people, you should always extend your hand and introduce yourself.
- To show respect, always extend your hand to older individuals first.

Greetings: What Should I Say?

Make a positive impression from the start. By standing up and walking out from behind your desk to greet somebody when he or she comes to meet with you, you are subtly expressing respect for that person. Such an action sends the message that you would like to communicate without a barrier between the two of you. Your guest may not consciously notice this gesture, but it will help create a comfortable atmosphere for a meeting.

Dress

The importance of being appropriately dressed for an occasion cannot be stressed enough. This holds true in both business and private life. By dressing up for an occasion, you express your respect not only for the occasion, but also for the

other guests, the surroundings, and especially the host or hostess. There is no such thing as “business casual”; meeting dress is formal. Social evenings tend to be more formal than in the United States. When in doubt, overdress.

Preparation

Plan to be very organized because they will be.

Language

Business done in a Swiss, German, Italian, or French home office is more and more transacted in English. However, although the ability to speak a second language is no longer essential for global business transactions, it still is important for opening the door to new cultures.

Customs

There are many German customs that Americans don’t automatically understand when visiting this country on business. Here are a couple of tips that may help you do the right thing while in Germany:

- Like Singapore, if you want to chew gum do it only during private moments. It is considered highly impolite even in an informal environment.
- While in the company of a German, be sure not to put your index finger to your cheek to indicate you are thinking over a comment he or she has just made. In Germany, this gesture indicates that the person which whom you are talking is ignorant or crazy.

Business Dinners

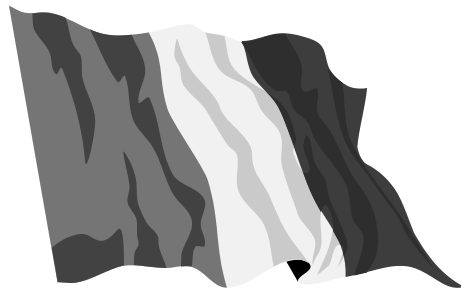
It is traditional in Germany to eat the main meal of the day at lunchtime, between 11:30 a.m. and 1:30 p.m.

Addressing Letters

If you are addressing a letter to a man and his wife, you should write both names separately when addressing something to them. For example: “Herrn Peter und Frau Anja Boss” (“Mr. Peter and Mrs. Anja Boss”), or “Herrn Peter Boss und Frau Anja Boss” (“Mr. Peter Boss and Mrs. Anja Boss”).

Telephoning

In Germany, it is generally customary to state your name when you answer the phone. In accordance with corporate identity trends, the customary way to answer a phone at a German company is to state the name of the company, the name of the person answering the phone, and a greeting.



Business Italian Style Dress

This also is a fashion-conscious European country. The Italians go in for a “power wardrobe.” As Jane Lasky says, “This is ‘Armani-land.’” Be sure to stick a lot of business cards in your briefcase. They’re as popular a source of introduction as they are here. There is one big difference, however; you don’t present your card at the beginning of a meeting, but rather at the end.

Meetings

These tend to be somewhat casual. Italians are not very conscious of time. Although you will make business appointments long before making your trip, don’t be upset if you arrive at a meeting and your contact does not. It is best to reconfirm a couple of times, if at all possible. Also, don’t be surprised if your Italian contact wants to join you for a meal at a café counter. Often power talks take place in this casual setting so don’t view this as a waste of time; it may turn out the time spent at the counter made the entire trip successful.

Should you be invited to a dinner meeting, relax and enjoy, you may be there awhile. Italians treat a dinner meal like Americans treat an evening at the theatre. You may spend a couple of hours over a

delicious antipasto and some lively discussion before you can even think about the next course. A trait leftover no doubt from the glorious days of Rome. And, remember should you have dessert, to eat it with your teaspoon, the Italian way.

Cutting Business Travel Expenses

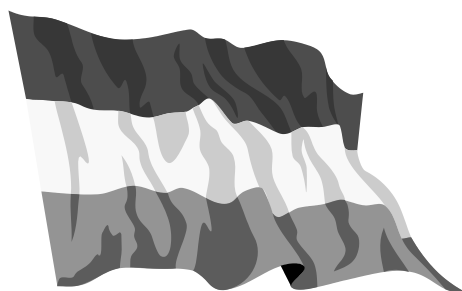
Italy is expensive, and flying around Italy is very expensive. So, if you have business in more than one city, take the train. It is one of the cheapest modes of transportation in Europe and the service is good. A train leaves every hour from Rome to Milan. Book express trains so stops are limited. If you want to work on the train, hand the bigleittai (ticket collector) a gratuity equal to about five American dollars shortly after boarding, and he will do you many favors, including finding you an empty compartment—in which to work if there is one.

Meals

If you are dining solo, eat at the counter. Customers who opt to stand for their meals are rewarded with dramatically less expensive prices for the same meals they would be eating at a table in the same café.

Safety

Understand there is a reason that Rome is called “The Pickpocket Capital of the World” and that in Florence, there’s a lot of stealing that takes place in hotel rooms. So, be certain to use any safe deposit boxes or safes the hotel offers.



Doing Business in the Netherlands

Meeting Tone

The Dutch are very formal when it comes to business practices.

Introductions

Titles are used in almost all situations and business attire (suit and tie or three-piece suit for men; jacket and pants or jacket and skirt for women) is expected.

Women in the business arena in the Netherlands have earned both respect and clout. It is not uncommon for women to conduct meetings, nor is it unusual for women to head up large organizations. As in other countries, there are still a few hurdles to jump for women in typically male-dominated fields like banking, but the gap is getting smaller.

Appointments

These are necessary if you plan to conduct business in the Netherlands, and punctuality is imperative. Once at the meeting, participants shake hands, exchange cards, and get down to business. It is uncommon to schedule meetings around lunchtime or in the evening, as the Dutch prefer to keep business and private time separate. The best months for business visits are March to May and September to November.

Social Etiquette

Socializing with associates after hours is uncommon; but if you are invited to a colleague’s home, take flowers. If you receive a gift, unwrap it immediately and thank the donor.

Ostentatious displays of wealth in conversation, dress, or conduct are frowned upon. It’s also good to note that too many sales staff at your booth at trade fairs will intimidate buyers.

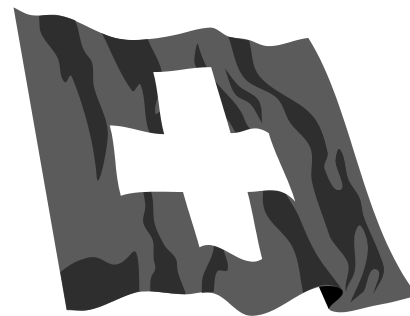
Table Etiquette

It is considered rude to leave the table during a meal to answer the phone, go to the bathroom, or any other room. Take care of your needs before you sit down.

Unique Gestures

- One unique gesture in Holland would be to suck one’s thumb to signal that someone is lying.
- To signal that someone is cheap, you would rub your nose with your forefinger from the bridge in a downward motion.

- If you would like to signal that someone is crazy, you would tap the center of your forehead.



Prepare for Switzerland Scheduling a Meeting

- You should avoid scheduling important appointments for July and August when most Swiss take their annual vacation.
- Also, because of the variations in ethnic background, you will find that besides the national holidays, different cantons observe different festivals; for example, Holy Week is particularly important in the Catholic south, and *Fasching* (the German version of Carnival) may catch out the unwary visitor in the week before Lent.
- August 1 is Swiss National Day and a holiday.

Be Prepared

Be well prepared before meeting with a Swiss counterpart in his or her country. Chances are you will be highly scrutinized and to be well-received you will have had to do your homework . . . and then some. Plan to conduct business in a precise manner. Make your research thorough, presentations exact, and punctuality paramount. Adopt these work ethics and you should be able to build solid business relationships.

Punctuality

The Swiss are known for their punctuality. Therefore, if being late to a meeting is unavoidable when meeting with a Swiss contact, don’t scurry into your meeting offering profuse apologies. Instead, call beforehand and notify your

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host of your predicament. This should take the edge off of your late arrival where an air of understanding will most likely prevail.

- Indeed, arriving 15 to 20 minutes ahead of time will impress your Swiss contacts.
- Punctuality is necessary on all occasions, whether business or social. This is especially true in the German-speaking areas, where arriving even five minutes late for a business or social engagement can cause grave offense. Although French- and Italian-speaking areas tend to be slightly more relaxed about time, punctuality is always the best policy.
- It is in your best interest to be well-presented and to remain polite at all times.
- Office hours are generally 7:30 a.m. to 5:30 p.m. Monday to Friday with a one- or two-hour lunch break usually between noon and 3 p.m.

At the Meeting

At the start of any meeting during a visit to Switzerland, offer your business card as you receive one from each person in attendance. Greet these formal Europeans with a firm handshake and hardy hello. Be sure to keep eye contact. At the meeting's end, again, offer a handshake. During the meeting, address your Swiss contact by title followed by his or her last name.

Language

In Switzerland, national languages vary with regard to which of the 26 Swiss states in the confederation you'll be visiting. The majority speak German, followed by French, Italian, and Romansch. However, visiting Americans need not involve translators in work transactions since most transcontinental business in Switzerland will be conducted in English. Nevertheless, it is wise to find out in advance what native tongue your host speaks and utter a few resident words, giving a nod to that person's first language. This show of good will as you begin negotiations will get you off to a good start.

Dinners, Lunches, and Meetings

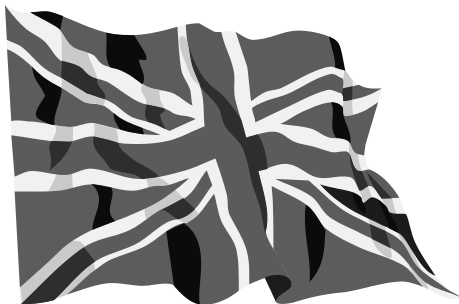
When dining in Switzerland, the rule of thumb is that if a fork can go through it, you should use it. Many Swiss consider cutting food with a knife to be an insult to the cook as this is sometimes an indication that the dish is not tender or that it has been badly prepared. Although you probably will not have a direct affiliation with a restaurant's chef, your host will probably notice if you misuse your knife. The impression will be that you have acted in a somewhat vulgar manner. Steak and other meats are an exception to this rule. Salad is not. It is customary to keep your hands on the table in Switzerland.

Shopping

Shops are usually open 8 a.m. to noon and 1:30 to 6:30 p.m. Monday to Friday. Stores that open on Saturdays generally close at 4 p.m. Some establishments are closed on Saturday or Monday mornings or Wednesday afternoons, but some towns have late opening on Thursday evenings. Larger stores do not close for lunch.

Courtesy in Public

While in public, address each stranger in passing with a "hello" or a nod and a smile. Show courtesy to the elderly. Even when you're not on business, maintain a clean, neat appearance at all times. Avoid bad posture when both sitting and standing.



United Kingdom Business Meetings

You may think that Switzerland is the country that "runs" on time. However, surprisingly enough a study was done on how 40 countries valued time and it was

published in *TIME Magazine*. And, the country that valued time the most was the United Kingdom, which is a stickler for punctuality. So, realize that punctuality is of prime importance when doing business in the United Kingdom. If you anticipate a late arrival, call ahead.

Dressing for Business

For business meetings, both men and women wear suits. Socially the British tend to have an informal yet presentable dress code. It is, however, advisable for men to bring a jacket and tie for dining out at exclusive restaurants where more formal dress may be required.

Greetings

As in most countries, a brief but friendly handshake is the customary greeting. It is unusual to address a new acquaintance by a Christian name. If, however, first-name terms are required, it is likely to be clearly established. It is advisable to simply be attentive and relaxed.

Business Cards

Don't make a big deal out of exchanging business cards with a British contact. This common ritual can turn into a bit of an awkward situation. So, don't wait to be offered a person's card but rather ask for one and then hand out yours. You can usually make a comment about the design or shape of his or her card, as many British versions are oversized when compared to the standard American variety.

Body Language

Although it may seem a bit overanxious to sit at the edge of your chair while talking turkey with a British contact, that person will probably appreciate the effort. The American body language of kicking back during business conversations can translate as the behavior of a disinterested party.

Try not to stare at anyone in public. Privacy is highly regarded in the United Kingdom.

Business Dinners

It is not assumed that spouses will attend dinners unless prearranged, and if you proffered the invitation, it is usually

assumed that you will pick up the tab. If you are the visitor, however, it's good form for the host to do the taking. Alternatively, play it safe and offer to split the check.

Dining Out or "Pubbing It"

To signal a waiter in a restaurant for the "bill," make a motion with both of your hands as if you were signing your name on a piece of paper. Loud talking and other forms of noisy behavior normally tolerated in America are not considered "good form" in the United Kingdom.

Don't pick up your bacon or French fries with your fingers and put them in your mouth. While your British counterparts probably would not say anything, they would think you uncouth.

Tipping Advice

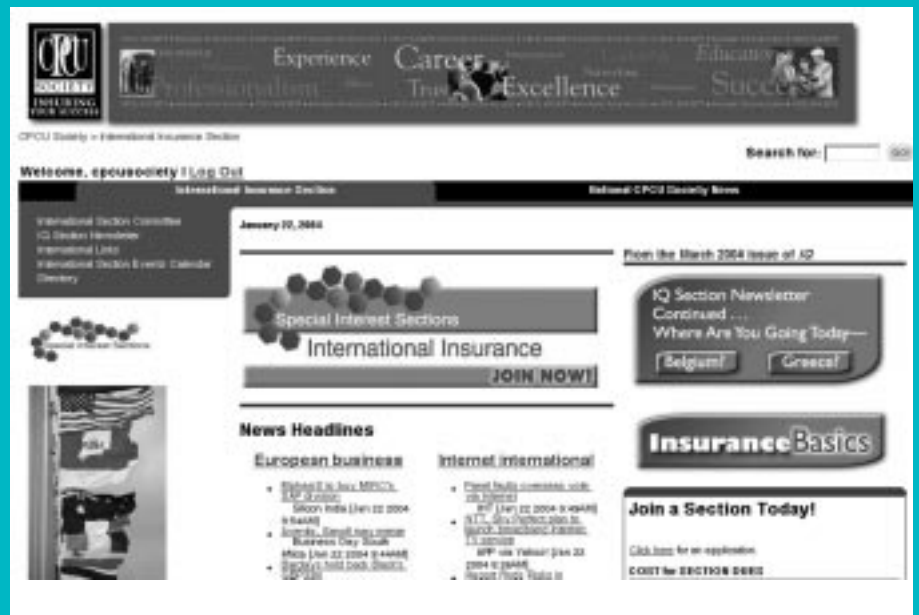
Tipping in the United Kingdom is discretionary. Taxi drivers will happily accept 10 percent gratuity. One or two pounds is the standard tip for hotel service personnel such as luggage handlers and door attendants. Service charges are included in some restaurants and are clearly stated on menus. However, in most London restaurants a gratuity of 15 percent is the norm.

When drinking in a pub, pick up your change after you pay for your drink. If you leave it there, as you might in the United States, it would imply that you are leaving a tip. Tipping is not extremely widespread in British pubs. ■

Insurance Basics

IQ readers will recall that a section entitled "Insurance Basics" is usually included within the International Insurance Section newsletter. When we compiled the information for this issue, the large quantity of facts would have increased the size of *IQ* to more than 40 pages. Therefore, we have decided to place the "Insurance Basics" segment on the International Insurance Section web site at <http://international.cpcusociety.org>.

We plan to continually place information on the International Insurance Section web site, and encourage you to visit it frequently. It's an excellent vehicle for sharing valuable information!



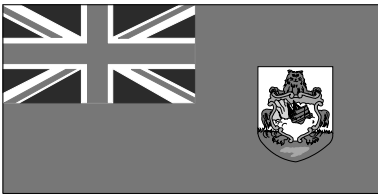
<http://international.cpcusociety.org>

News from Home and Abroad



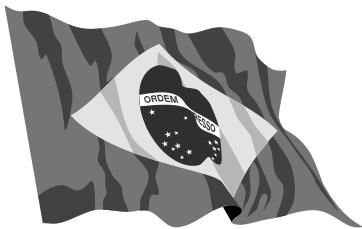
Australia

Melbourne—Recent Standard & Poor's Ratings Services said that **Medibank Private Ltd.'s (Medibank)** reported operating surplus for the full-year ending June 30, 2003. The operating surplus was the result of substantial product and pricing changes implemented after June 2002, following the large loss of A\$175.5 million reported in 2002.



Bermuda

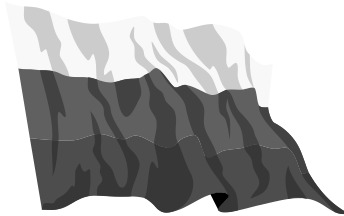
A new Bermuda-based reinsurer is being formed through the merger of **River Capital**, a private equity investment company, with **Oxford Media Corp.**, a former multimedia company. The merger will transform Oxford Media into a publicly traded reinsurer. Chief executive of River Capital, Howard Taylor, said that the formation is in its "very early stages." It will be formed as a "Class 3" insurer.



Brazil

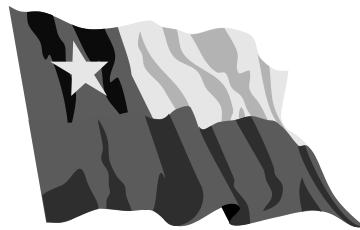
U.S. insurer **AIG** agreed to buy 20 percent of Brazilian airline "GOL" belonging to the **Aurea Group**. The airline has grown vastly since it was launched in January 2001.

Acordia Re, the reinsurance arm of Wells Fargo Bank, is to enter the Brazilian market via a partnership with Brazilian reinsurance broker, **Assure**. According to Business News Americas, Acordia will reinsure Brazil's state-owned reinsurance monopoly, IRB.



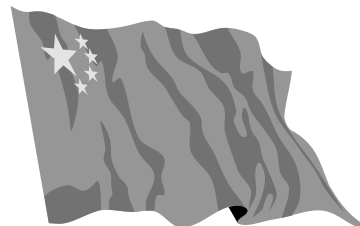
Bulgaria

Sofia—the former state insurer, **DZI**, has joined forces with **Roseximbank** to form **DZI-Roseximbank** and plan to float a third of its shares on the New York Stock Exchange next year, the first listing of a Bulgarian firm on a foreign bourse.



Chile

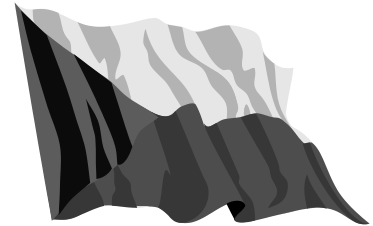
The Securities and Insurance Department (SVS) issued a new rule for life insurers selling annuities. Companies must now have a minimum "BBB" rating, and this would leave many insurers out in the cold.



China

ING recently announced that **Pacific Antai Life Insurance Company (PALIC)**, ING's Shanghai-based joint venture with **China Pacific Insurance**

Company (CPIC), has received approval from the China Insurance Regulatory committee to establish a branch office in the south China city of Guangzhou. This branch will initially employ up to 200 staff and agents.



Czech Republic

The **Czech Republic** will have to contribute between $\text{¥}80$ million and $\text{¥}100$ million to the share capital of the European Central Bank (ECB) if it adopts the euro currency in the future. Czech National Bank governor Zdenek Tuma says that 5 percent of the contribution would be paid after accession to the EU and the rest before the adoption of the euro.

European Union

Brussels—The **European Commission** planned to close its investigation into whether British law guaranteed adequate supervision to **Lloyd's of London**. This means the commission believes the current British supervisory system does not breach European Union law. The commission inquiry could not assess the adequacy of supervision before 2001 but only the conformity of current British law with EU legislation. Lloyd's was brought to the brink of collapse in the late 1980s and early 1990s by billions of pounds of losses. It regulated itself until 2001 when Britain's specialist financial watchdog, the financial service authority, took charge.

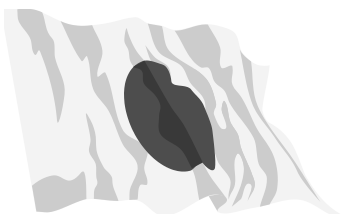
Gibraltar

Rubicon has sold the issued share capital of **Link Underwriting Agency** to **NEMWIL**, a member company of the Guardian Holdings. NEMWIL has set up a company in Gibraltar to provide the capital for Links' ongoing business.



Israel

Jerusalem—**Inbal Insurance**, a provider of insurance services to the Israeli government, has deployed at its new headquarters a converged IP (Internet Protocol) communications network based on enterprise voice and data solutions from Nortel Networks, providing a new network with a wide range of new IP telephony features and services.



Japan

A very large earthquake occurred in late September 2003 in northern Japan. The magnitude 8 earthquake was centered under the sea off the coast of Hokkaido and was followed by a series of aftershocks ranging in magnitude from 4.9 to 7. These quakes are not expected to trigger any catastrophe bonds.



Pakistan

Pakistan Industrial Credit and Investment Corporation (PICIC) proposes to establish an insurance company that would offer general insurance services. PICIC already owns a commercial bank and has recently expressed the intention to launch into consumer financing. The

company said that the formation of an insurance company was aimed at catering for all financial needs of customers under one roof. (Sound familiar?—Editor)



Panama

The **Panama Insurers Association (APADEA)** is working to modify Law 59 in order to reduce the high rate of payment delinquencies.



Russia

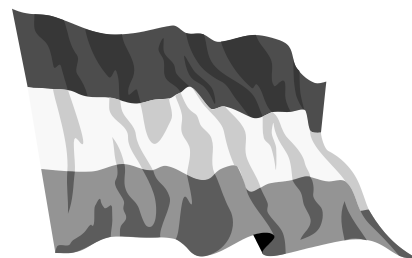
Moscow—Speaking at a conference on pensions reform, William Poole, president of the **Federal Reserve Bank of St. Louis**, said that governments will be involved for many years, and perhaps indefinitely, in regulating pension plans. "Taxpayers are ultimately responsible for shortfalls in retirement savings, either through supporting guarantees of pensions plans or through financing public assistance provided to retirees who lack sufficient resources. Given current contribution and benefit levels and the best estimates of demographic trends and labour productivity, the Social Security Trust Fund will be exhausted before mid-century."



South Korea

Seoul—Seeking to maximize its price from the sale of **Kyobo Life Insurance Co.**, South Korea said it planned an international auction of the 24 percent stake, despite strong interest from Goldman Sach's GSN equity fund.

Seoul—South Korea's state-run restructuring agency is selecting lead managers to sell up to 15 percent of **Woori Financial Group** to foreign investors by February. The planned stake sale through an American Depositary Receipt issue worth about 820 billion won (\$698.4 million) will be the latest attempt by the government to privatize financial institutions nationalized since the 1997 Asian financial crisis. The Korea Deposit Insurance Corp., which owns an 87 percent stake in Woori Financial, has invited potential lead managers to finish the sale by February.



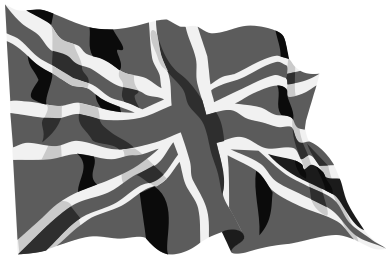
The Netherlands

Amsterdam—Dutch-Belgian banker and insurer, **Fortis**, announced its intention to effect initial public offering of shares in its U.S. insurance operations, which are non-core. It is anticipated that this initial offering will take place during the course of 2004, subject to market conditions.

Continued on page 18

News from Home and Abroad

Continued from page 17



United Kingdom

JLT Risk Solutions (formerly Jardine) won the reinsurance appointment for the Dolphin Project, the largest energy initiative to be undertaken in the Middle East region. The project involves the production and processing of natural gas from Qatar North Field, and transportation of the dry gas by pipeline to the United States, beginning in 2006. The deal will bring significant reinsurance premium to the London/European markets. Construction is due to start in 2004. The reinsurance placements will cover construction all risks, third-party liability, delay in start up, operators extra expense, and cargo. JLT Risk Solutions formed an alliance with two local insurers—Al Ain Ahlia from Abu Dhabi, and Al Khaleej from Qatar.



United States

New York—On November 3, 2003, **St. Paul Insurance Co.** agreed to buy larger insurer **Travelers Property Casualty** for \$16.84 billion in stock to form the No. 2 U.S. commercial property and casualty insurer. The deal comes about a year and a half after Travelers was split off from Citigroup Inc. The combined company will be known as **St. Paul Travelers Cos.** and be based in St. Paul, Minnesota, where St. Paul is now based. The merger, expected to close in the second quarter of 2004, will create

a company with \$107 billion of assets, \$26 billion of capital, and \$20 billion of premiums, the companies said. The largest insurer is American International Group Inc.

California—**The California wildfires**, which raged uncontrollable for two weeks in the fall in southern California could harm insurers' earning, according to rating agency Moody's. The agency estimates that the losses from the disaster will be between \$2.5 billion and \$3.5 billion. These estimates are much higher than earlier industry forecasts. This would make this the costliest wildfire loss for the insurance industry to date. The largest wildfire insurance loss previously was caused by the Oakland wildfires in 1991. The fires, which destroyed 2,900 buildings cost the industry \$1.7 billion. The event would have cost insurers \$2.25 billion had it happened today.

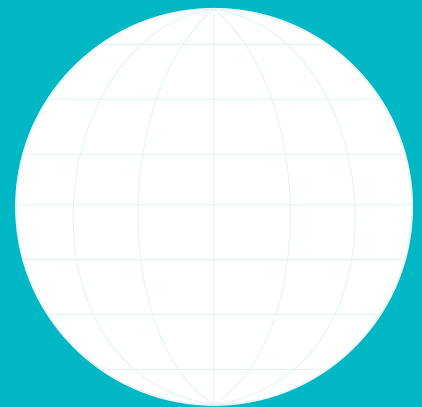
New York—**American International Group (AIG)**, the world's biggest insurer and cedant, is, for the first time, forcing its reinsurers to put up collateral against the risks it cedes to them. Its action is a response to increasing concerns over the long-term financial strength of its reinsurers and the counterpart credit risk it takes when it buys reinsurance. Managing this counterpart credit risk is a top priority for AIG. Some reinsurers have accepted AIG's stance. But, others have balked at the new requirements.

SAFECO has announced that it is to sell its life insurance and investments businesses—it will focus on property and casualty in the future and is to cut at least 500 jobs (4.5 percent of the workforce) to reduce costs. It also announced that due to increases in medical costs and the growth in lawsuits, it will be increasing its reserves covering workers compensation claims by \$105 million.

Washington, DC—At the September meeting of the **National Association of Insurance Commissioners (NAIC)**, the regulators were joined by the **National Conference of State Legislatures** and the **National Conference of Insurance Legislators (NCOIL)** in signing a joint resolution supporting state regulation.

But, the resolution does support efforts to modernize and streamline the current system. There are several proposals to establish a federal insurance regulator but these are strongly opposed by several insurance organizations and state regulators.

New York—Recently, U.S. accounting rule makers agreed to consider new rules to account for cash balance pension plans, a once popular but controversial type of plan that has spelled trouble for corporate America in recent months. **The Financial Accounting Standards Board**, which sets accounting rules in the United States, will add a project aimed at defining cash balance pension plans and measuring obligations under such plans to its agenda. ■



New Chapter Web Sites

Please take time to visit the CPCU Society's newest chapter web sites:

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<http://www.europe.cpcusociety.org>

Japan Chapter:

<http://www.japan.cpcusociety.org>

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Save the Date!

Plan now to attend the
60th Annual Meeting
and Seminars
October 23-26, 2004,
in Los Angeles, CA.

Look for future issues
of *IQ* for more information about
International Insurance Section-
sponsored seminars.

Who's Managing Your Success?

CPCU Society National Leadership Institute

Invest in Your Professional Development— and Take Charge of Your Career Success!

Spring 2004 CPCU Society
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- ♦ Develop effective leadership, communication, and management skills to guide your company—and your career—to success.

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Set Your Schedule for Success!

Thursday, April 22

8 – 11:30 a.m.

- ♦ Developing Resilience in a Rapidly Changing World

8 a.m. – 4 p.m.

- ♦ Effective Communication Skills
- ♦ Practical Techniques for Project Management
- ♦ Finance for Nonfinancial Managers
- ♦ Facilitative Leadership Skills
- ♦ Power Tools for Successful Negotiations

Noon – 1 p.m.

- ♦ Thursday Leadership Luncheon

1 – 4 p.m.

- ♦ Delivering Compelling Messages to Your Staff

1 – 4:30 p.m.

- ♦ Time Management—Managing the Only Non-Renewable Resource

5 – 6 p.m.

- ♦ Reception

Friday, April 23

8 – 11:30 a.m.

- ♦ Developing Resilience in a Rapidly Changing World
- ♦ Time Management—Managing the Only Non-Renewable Resource

8 a.m. – 4 p.m.

- ♦ Effective Communication Skills
- ♦ Practical Techniques for Project Management
- ♦ Finance for Nonfinancial Managers
- ♦ Facilitative Leadership Skills
- ♦ Managing Conflict in the Workplace

Noon – 1 p.m.

- ♦ Friday Leadership Luncheon

1 – 4 p.m.

- ♦ Becoming a Successful Leader

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