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INSURING YOUR SUCCESS

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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.

Truly, I have enjoyed the past nine years as editor of the *International Quarterly*, working with the members of the International Insurance Section Committee and our authors from all over the world. All of it was an education to me. Most of it was exciting and I am going to miss it (although, I won't miss the deadlines). However, in time all things come to an end but I find it most pleasing that I can say "goodbye" in such an outstanding issue.

My co-editor, Anthony L. Cabot, CPCU, ARM, a founding member of the CPCU Society's Europe Chapter and untiring worker in the International Insurance Section Committee, most kindly volunteered to assist with this issue when my travel schedule wouldn't cooperate with the *IQ* deadlines, and he wound up with most of the responsibility. A generous contributor himself to many of the *IQs;* this time, he has brought together an exceptional group of authors who have provided useful and interesting reading. Thank you, Tony.

Two of the articles in this issue are from our international chapters. We couldn't say that nine years ago or even three years ago. We've come a long way and I've certainly enjoyed the ride.

What's In This Issue

Articles

From Our Chapters

Special Features

From the Co-Editor

by Anthony L. Cabot, CPCU, ARM

Anthony L. Cabot, CPCU, ARM, has been country manager for XL insurance Italian operations for five years. He is responsible for the relationships between XL Insurance Italia its clients, consultants, brokers, and relevant regulatory authorities. Prior experience within the XL Insurance Group includes sales and marketing manager, west coast; establishment of the Los Angeles Branch office; and special accounts 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 Society's Europe Chapter. Cabot is an active member of the Italian Academic Risk Management Association, and a regular guest teacher for the University of Verona's master's in risk management program. Prior experience includes stints with Johnson & Higgins in Milano; L.E. Ziminsky & Associates Risk Management Consultants; risk manager and insurance administrator for the Owl Constructor Group; and Richard Mills Insurance Brokers. He began his career as an agent for the Farmers Insurance Group. Cabot also spent five years with the United States Coast Guard in search and rescue operations in Alaska and California, as well as in radio and navigation operations in Italy and Germany.

I would like to make just a short comment on how truly international we have become. Today, we have articles from Japan, the United Kingdom, Milano, Paris, and the United States discussing issues that touch most parts of the world. And, it has been my pleasure to assist in gathering these articles and putting the information together.

It is my hope all CPCUs will enjoy this edition and will gain some useful insight from the work of the International Insurance Section Committee.

Lastly, I would also like to add a great, big thanks to **Iverne "Joan" Greene, CPCU, ARM, AIM, CPIW,** for her years of service as editor of this excellent newsletter. ■

Explaining the General Product Safety Directive in the European Union and Product Recall

by Graeme Berry

Graeme Berry is director of product liability and recall at PricewaterhouseCoopers and can be reached at Graeme.berry@uk.pwc.com.

A New Regime in Europe

Last year saw a revolutionary change in the way the safety of consumer products is regulated in the European Union (EU), with the arrival of the revised, U.S.-style General Product Safety Directive. Most of the 25 member states have now implemented the new laws. On July 6, 2005, the U.K. regulations to implement the Directive were laid before Parliament, coming into force on October 1, 2005.

This year has also seen the arrival of new European laws on food safety and food hygiene and some very high-profile recalls in the food and pharmaceutical sectors. So what are the practical implications of the new laws for consumer product companies and what opportunities do they present to insurers of product risk?

There is no question that the legal environment within which producers and distributors of consumer products operate in the EU has irrevocably changed. Additional burdens have been placed on those involved in the supply of consumer products in the EU—producers, distributors, and retailers—that will dramatically increase the risks of non-compliance.

The categories of products to which the laws apply have been expanded and, for the first time, a legal duty is imposed to report and, if necessary, recall dangerous products. Equally important, the laws give new powers and obligations to national authorities, including the power to initiate public recalls of dangerous products. The introduction of the new regime is likely to result in more product recalls, more product liability claims, and disputes between businesses about defective products in the EU.

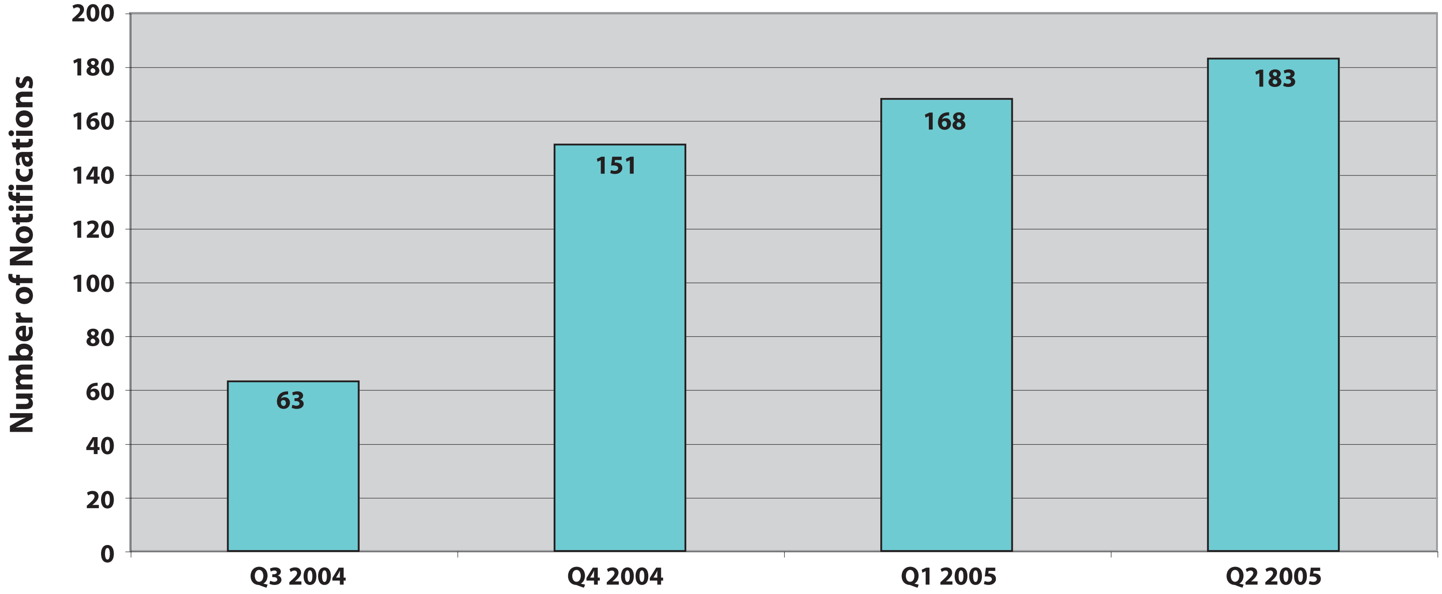
Impact of the New Regime

PricewaterhouseCoopers has been monitoring the incidence of reported recalls posted on the European Commission's RAPEX (Rapid Exchange of Information) web site since the Directive went live in January 2004. While it is too early to make meaningful inter-territory comparisons, the data does suggest a dramatic increase in reported recalls over the period. See Figures 1 and 2.

Since the Directive was implemented in January 2004, the European Commission has been publishing a weekly overview of notifications and outcomes. The number of notifications has steadily increased, with well over 200 recorded in

Figure 1

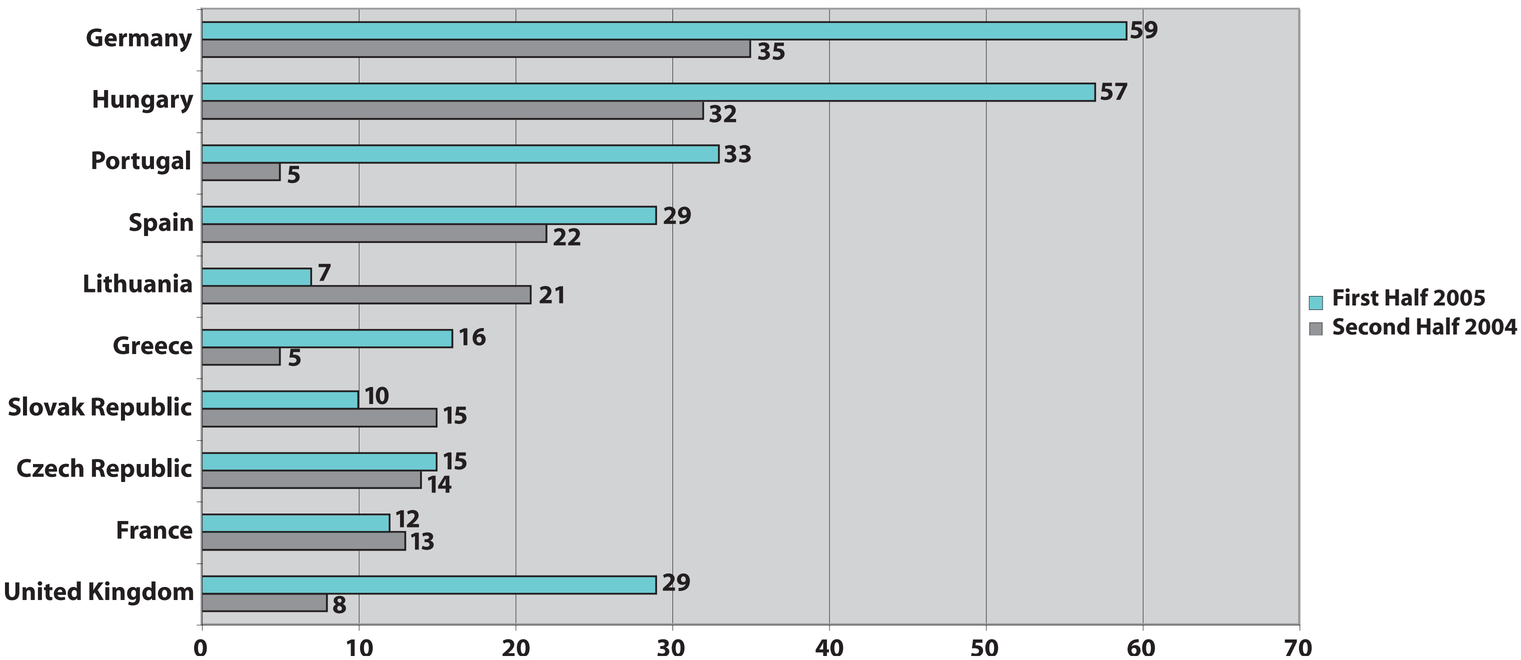
Notified Recalls—Q3 2004 to Q2 2005



Source: European Commission—RAPEX Notifications

Figure 2

Number of Recalls Notified by Country*



**top ten countries with the most product recall notifications*

Source: European Commission—RAPEX Notifications

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Explaining the General Product Safety Directive in the European Union and Product Recall

Continued from page 3

22 countries. Germany, Spain, and the United Kingdom account for more than 40 percent of the notifications. Almost half (45 percent) resulted in voluntary recalls, while others resulted in enforced recalls, a ban on sales, confiscation of dangerous products, and injunctions to stop production.

From a business risk perspective, the most important changes relate to the new reporting provisions for products at risk. These spell the end of the "silent recall" for unsafe consumer products in the EU. Producers and distributors face legal obligations to report "immediately" dangerous products to the national authorities in every member state in which the product is marketed. Member states are under obligations to communicate such information to each other and to the Commission. In the United Kingdom, the Department for Trade and Industry will provide a notification service on behalf of U.K. producers and distributors to share this information across the EU.

Responsibility for overseeing safety of consumer products in the United Kingdom rests with more than 200 local Trading Standards Offices. The Chancellor of the Exchequer's promise to cut red tape, made in the last budget, specifically picks up the Hampton Review recommendations to streamline regulation, including super-watchdogs to cover health and safety and food standards. The review proposes entrenching the principle of risk assessment throughout the regulatory system, so that the burden of enforcement falls most on highest-risk businesses and least on those with the best records of compliance.

In an effort to avoid unnecessary recalls, the U.K. regulations provide producers and distributors with the right to invoke an alternative dispute resolution (ADR) mechanism, whereby a judge appointed by the Chartered Institute of Arbitrators can evaluate an appeal against a recall order.

Implications for Insurers

So what are the implications and opportunities for insurers in the new climate? Evidently, insurers will be concerned that the Directive will lead to an increase in the number of third-party liability claims and/or to a rise in the cost of those claims, especially given the legal environment that provides consumers with greater rights of recourse than ever before.

The fact that authorities have the power to recall potentially dangerous products, taking into account the "precautionary principle," may encourage more voluntary recalls. In cases where there is an element of uncertainty over whether a recall is necessary, companies may view the recall option as the safer approach and more acceptable to the authorities and to the public. Inevitably, greater transparency of product risks will be used by consumer activists to apply pressure for the withdrawal of certain products.

However, to the extent that the Directive encourages the provision of better information and warnings to consumers and helps to prevent unsafe consumer products from reaching the market (or from remaining on the market if they do), regulation could, in the medium and long term, help to reduce the number of product liability claims.

One of the main impacts is likely to be in the area of product recall insurance, a relatively new, specialist class of business, which indemnifies companies for first-party loss and additional costs of recalling products as a result of accidental or malicious damage or contamination. The expenses covered can be anything from investigation costs to costs of notifying the recall, re-labelling or recalling stock from the supply chain and the market, or marketing costs to "rehabilitate" a product to restore market share. Some policies even cover loss of profit.

Owing to the additional requirement of dealing with authorities, the cost of managing recalls and the cost of claims made under product recall, insurance policies may increase. This applies particularly to small- and medium-size businesses, which may have little or no experience of managing a recall and which will require a greater degree of professional assistance with legal, regulatory, logistical, and accounting aspects. Individual countries will levy penalties for non-compliance, though the effectiveness of such measures will depend on the resources available to the authorities to investigate breaches and pursue prosecutions, and on the extent to which financial penalties are sufficiently punitive in relation to the size of the offending company.

Again, the short-term threats of costly claims are worth distinguishing from the medium- and long-term opportunities of recall cover being part of the standard all-risks cover of consumer product businesses. Demand for affordable recall cover will increase but the management of this risk will also improve, providing the incentive for supply to respond to growing demand. Underwriters will need to develop a careful understanding of the potential impact of a recall on particular products. Limits and extensions will be needed to provide flexible but affordable cover.

Action Points

What should companies be doing now to implement the new regulations? Experience of pan-EU recalls under the new regime has indicated that the approach taken by national authorities will not necessarily be the same. This highlights the importance of ensuring that product recalls are conducted in a properly coordinated and consistent manner.

Insurers will need to understand the implications of the new regime to be satisfied that policyholders have proper procedures in place to effect corrective action, such as a product recall. In the future, insurers may well require more details about such procedures before they provide cover. Currently, testing of those procedures, while regarded as best risk management practice, rarely happens.

Second, although a product recall may involve the inescapable costs of physically removing products from shelves and depots and compensating consumers who return products, one of the most effective ways to minimize these costs is by narrowing the scope of the recall to those products that are actually affected, rather than including those that are potentially affected. Systems to allow traceability through the production process and the supply chain will become vital in identifying the cause and extent of the problem and containing it. Clear responsibilities and compensation agreements with others in the supply chain will also help to control recall costs.

Finally, crucial to the financial impact of a recall is how quickly defective products can be replaced with good products. Relationships with customers, market share, and brand value are all at risk. Retailers may claim loss of profit on the basis of "out of stock" data from their systems. The period of time it takes to re-stock can have a significant impact on a claim. Agreement on the basis of a claim in advance of a recall occurring may help to control the cost.

As consumer products' companies begin to appreciate the extent of their exposure to recall risk and the implications of not being well-prepared, both in terms of the short-term financial impact and the long-term impact on market share, it is likely that they will give much greater attention to risk management in this area. Greater understanding of, and investment in, recall risk assessment and risk management should lead to increased availability of product recall insurance in the market. ■

The Europe Chapter Goes Gold

by Anthony E. Fienberg, CPCU, and Anthony L. Cabot, CPCU, ARM

It has been a long road for the Europe Chapter of the CPCU Society, possibly the Society's only virtual chapter, but the results are in and the chapter has been awarded the Gold Circle of Excellence.

Beginning with a casual conversation over a cup of coffee in Milano, Italy in 2002 between two American CPCUs living and working in Europe, there is now a Europe Chapter with 27 members living and working in 10 countries, and a Gold award.

During the July 2005 teleconference chapter meeting, our chapter president Anthony Fienberg explained from Paris to Daniel Hess and Sven Ramspott in Zurich, Tony Cabot in Milan, Pierre Fonteyne in Brussels, Thomas Seidl in Munich, and several other members in the United Kingdom, that the chapter would go for the gold, and he was subsequently proud to confirm via e-mail at the end of July to the 27 European Chapter members that they had made it.

This is not only a virtual chapter however; with great organization and much personal commitment, the Europe Chapter members have now met twice—October 2004 in Munich, Germany, and again in April 2005 in Zurich, Switzerland. While much can and has been accomplished over the telephone, videoconference, and e-mail, the members have really gone the extra mile to meet. Coming from all over the European Union, the chapter members have participated in Ethics Awareness, mentoring, protecting yourself from and avoiding e-vulnerability, and professional liability workshops. They have also taken care of business with officer election, membership drives, employer visits, and promotion of the CPCU Society and the benefits of the designation in countries where it is just not well known.

The chapter is now planning the next physical meeting, scheduled to take place in London in September 2005 as well as sending some of the members to the CPCU Society's Annual Meeting in Atlanta. There is also a joint meeting with the International Insurance Section Committee in the works. The Europe Chapter hopes to hold this meeting in Paris during spring 2006.

The Europe Chapter web site has been updated and offers loads of interesting information and contacts.
See http://europe.cpcusociety.org.

E GOLD
Circle of Excellence
Recognition Program

The task force members (Membership, Education, Visibility, and Information Technology) continue to move their projects forward and with the support of the entire chapter, membership now begins to make some important inroads. It is a difficult process due to the logistics and time constraints, but the chapter has really become a tangible factor in the lives of the CPCUs spread out throughout Europe.

The overriding goal of the Europe Chapter is to raise the recognition of the CPCU designation in Europe and give the existing CPCUs a forum in which to share common interests, professionalism, ethics, and personal development.

Please look them up should you be in Europe. The chapter members are always ready to organize one of their favorite activities on the spur of the moment. The almost famous pub meetings have taken place in Paris, London, Zurich, Milan, and Munich. Whenever one of the chapter members happens to be in a city where another CPCU lives or works, there is a spontaneous meeting of the minds and we find ourselves in front of a friendly face and behind a cool beer for good conversation and a good time. ■

Insurance Matters in Rwanda

by Ellen Yamshon, Esq., CPCU

Ellen Yamshon, Esq., CPCU, is an advocate for risk reduction through conflict prevention and dispute resolution. She is an attorney and a mediator for the Western Center for Alternative Dispute Resolution; Chair Emeritus of the Board of Directors of the Sacramento Mediation Center; and a recipient of the California Mediation Week Peacemaker of the Year Award for her pioneering work in negotiation and mediation. Yamshon is on the National Panel of Arbitrators for the American Arbitration Association. She is a former claims supervisor; has held insurance agent and broker licenses; and has been licensed by the National Association of Securities Dealers. She has evaluated conflict resolution operations of government agencies and community-based organizations at home and abroad; has lectured on conflict management and negotiation at California State University, Sacramento; and is a contributing author on alternative dispute resolution and ethics topics in "Understanding the Law."

She sits on the National Advisory Board of the Consortium for Alternative Dispute Resolution in Special Education, funded by the United States Department of Education. Yamshon received a Fulbright scholarship to study development and reconciliation in Rwanda in 2004, the tenth anniversary of the genocide.

Editor's Note: This is an excerpt from Yamshon's article. The entire article, including citations, can be found in the International Insurance Section of the CPCU Society's web site at http://international.cpcusociety.org.

Photographs courtesy of Ellen Yamshon, The 2004 Fulbright in Rwanda Collection© with Olson's Rwanda I Collection©, used with permission.

The domestic insurance market in Rwanda must be understood in the context of a society still reeling from the aftermath of the events of the 1994 genocide. The human and economic loss was so catastrophic, that it feels trite to try to describe it. Nevertheless, I endeavor to give you a feel for the economic landscape, the enormity of the recovery task, and the remarkable progress Rwanda has made.

Rwandan insurance companies do not do business outside Rwanda presently, but foreign investment is central to Rwanda's development. The future of Rwanda's domestic insurance industry is inexorably linked with education and international trade.

The development and performance of the insurance sector are remarkable considering the Rwanda economy died along with 1 million genocide victims just a decade ago. There were approximately 1,000 insurance agents and 400 company employees in Rwanda

Maraba Coffee Plantation, Southern Rwanda—Growers of the specialty coffee, Arabica Bourbon

Typical Rwandan mother and child

when I visited last summer. Billboards advertising insurance on multiple street corners were prominent even in small towns.

I was delighted by the strong presence of insurance companies and agencies in cities and towns, although I don't recall seeing any in the hills and rural villages. I understand that Computer Bytes, a network consulting firm, has linked the home offices of two of the major insurers, SONARWA and SORAS, to remote insurance agencies. Connectivity is critical because all insurance company home offices are located in the capital, Kigali, while the bulk of the population is in the hills and rural towns.

Today, the insurance sector is comprised of four domestic insurance carriers, known by their French acronyms. They are SONARWA (National Insurance Company of Rwanda,), COGEAR (Rwanda General Insurance and Reinsurance Company,) SORAS (Rwanda Insurance Company) and the recently formed CORAR (Rwandan Insurance and Re-insurance Company), owned by the Catholic Church. They offer life, health, and property and casualty coverage.

Prior to 2002, there were no life insurance companies in Rwanda. New life insurance business is driving growth in the insurance sector. Gross revenue was nearly Frw 6,100,000,000.00 (Rwandan francs) in 2003, which at the then-current exchange rate of Frw 5.50 to U.S. $1 (dollar) was U.S. $11,000,000.

Unofficial reports indicate the insurance sector grew at a rate of 28 percent from 2001–2002, but after the introduction of life insurance, grew at a rate of 34 percent. No indicators specific to property and casualty insurance are available because the industry does not segregate life and non-life insurance performance indicators. A World Bank report on the current state of the insurance sector in Rwanda is expected soon.

According to some reports, the insurance industry is earning an acceptable return on investment, although loss ratios (accident ratios in Rwanda) and premiums are quite high. Individual company loss ratios range from 35 to 83 percent.

Domestic insurance companies in Rwanda have provided more than peace of mind and risk transfer. They are playing a pivotal role in jump-starting the economy by investing reserves in Rwandan businesses. Not only does this offset underwriting losses, but it also stimulates savings and investment in the private sector. The policyholder base is growing with new business formations and a nascent sense of investor confidence. This will foster competitive rates and increased capacity.

Insurance Regulation

Unlike the tomes of U.S. State and Federal insurance code, the insurance law of Rwanda is brief. It amounts to no more than 10 to 15 pages. The major portions of the insurance law were promulgated in 1975 and are in need of reform. A major overhaul of insurance law is expected soon.

The Government of Rwanda (GOR) recognizes the importance of a strong, competitive insurance market and the necessity of making insurance available at affordable prices. In the address celebrating the Silver Jubilee of SONARWA, H.E. President Kagame demonstrated his grasp of the insurance principle. He challenged the industry to "involve a bigger majority of our population to realize the principle of the law of large numbers."

Insurance is regulated at the national level. The CNCA (National Insurance Control Commission) was established in 2002, and last year, Celestin Kayetare was appointed Insurance Supervisor.

Africa Dance Formation, Kigali 2004

Kagera River, East Rwanda—A remote source of the Nile, which flows into Lake Victoria, the world's largest tropical lake

The Commission is responsible for enforcing licensing requirements and monitoring the solvency of insurance companies. Plans are underway to conduct market surveys, provide guidance to insurers, and to establish a program to receive and help resolve consumer complaints.

Presently, the GOR does not regulate ratemaking. Rates are set by the individual carriers. The carriers meet and agree on rates informally, through the cartel, ASSAR (Association of Rwanda Insurers.)

Only motor insurance (third-party vehicle liability coverage) is mandatory in Rwanda. Insureds who have purchased at least statutory limits of liability place a decal on the windshield of their vehicle evidencing compliance. Of course, the presence of a decal is not proof that coverage is in force. It was comforting, though, to see a decal on the windshields of small, crowded commercial buses. It indicated an awareness that responsibility to others follows the right to earn a living.

In Rwanda there are a myriad of perils on the road including chance encounters with pedestrians, cyclists, and livestock. If you cause an accident, you could lose your driver's license for three months. Drunk drivers are jailed for 24 hours, fined Frw. 20,000 (U.S. $35), and released. There is no ambulance service in Rwanda.

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Insurance Matters in Rwanda

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Drumming, National University of Rwanda, Butare, 2004

Insurance Education

H.E. President Kagame's plan to export insurance services and make Rwanda a regional hub for financial services is already being realized. It started with a commitment to universal primary education by 2005. The National University of Rwanda, together with four new universities, are preparing young Rwandese with skills to compete in international markets. As noted above, GOR believes investment in the new Rwanda higher education scheme is worthwhile.

Transportation—Rwanda style, Butare, 2004

Development of human capital through higher education in insurance began in 2002 with the creation of the School of Finance and Banking (SFB). The School of Finance and Banking is a public institution of higher learning, headquartered in Kigali, and operates under the auspices of the Rwandan Ministry of Finance and Economic Planning. SFB offers morning, evening, and Saturday classes to meet the needs of working students.

SFB partners with internationally accredited institutions to offer programs in insurance, as well as accountancy, banking, and law. SFB certificates, diplomas, and degrees are examined and conferred by the respective foreign institutions to ensure recognition of the credentials.

The Chartered Insurance Institute (CII-London) offers a Diploma in Insurance (1 year) and an Advanced Diploma in Insurance. The College of Insurance (CI-Nairobi) staff helps present the courses with SFB staff. Admission requirements include a bachelor's degree in law, economics, or related field, and experience in insurance.

The Kigali Institute for Science, Technology and Management (KIST), another institution of higher learning, has recently been selected by UNESCO as a regional center of excellence in the area of business studies and management.

Lawrence G. Brandon, CPCU, in his 1996 book, *Let the Trumpet Resound*, admonished us to be knowledgeable and concerned about world situations. (p. 142) With the elimination of trade barriers, the world is becoming increasingly cooperative and at the same time, more dangerous as terror grows as a response to conflict.

The media coverage of the tenth anniversary of the Rwanda genocide and the critical acclaim of the movie, *Hotel Rwanda*, brought us face to face with the fact that we citizens of the world did little to help our brothers and sisters in Rwanda during the terror of 1994. The murderous frenzy that left one million dead, desecrated the forests, and left the economy eternally comatose, got short shrift on the news in 1994.

Investment is the engine of economic development, and insurance is the lubricant that supports sustainable growth. This is what Rwanda needs and why insurance matters a great deal there.

Furthermore, we have a professional obligation to use our skills and training to benefit society. We need to do what we can to reduce human suffering and promote peace. It's the best insurance against a Rwanda redux.

Close up with the mountain gorillas, Parc National de Volcans

It Still Means Professionalism, Ethics, and Career Development

by Keiji Fukasawa, CPCU, CLU, ChFC

Keiji Fukasawa, CPCU, CLU, ChFC, is president of the CPCU Society's Japan Chapter, Finrex Japan (consultant).

No matter what language in which the members of the Japan Chapter conduct their regular meetings, CPCU still means professional development, ethics, and career enhancement opportunities.

Keiji Fukasawa, CPCU, CLU, ChFC, president of the CPCU Society's Japan Chapter, tells us "We do not have any hard and fast rules on the language to be used in the meetings, but when all the participants in the meeting are Japanese it is natural our mother tongue is used for our communication."

Fukasawa also told us that the Japan Chapter has one expatriate member from the United States. "Mr. Kent Willis, CPCU, working for his company's Tokyo office, often takes part in our chapter meetings. We still use mostly Japanese because Kent speaks and understands but sometimes if a discussion is particularly difficult we will switch to English."

Of course there are many other opportunities to share the Japan Chapter's activities with all members of the CPCU Society. Fukasawa said: "Our local conferment ceremony, annual general meeting, CPCU exams, Ethics Awareness Month activities, and many other activities often time involve the CPCU Society's Executive Board members or visiting CPCUs so we make sure that one of us will interpret what is going on. Your personal conversation is carried on all in English. When we have special guests from the CPCU Society or AICPCU, we use English as most of the chapter members have no problems in commanding English. This is a great opportunity for an exchange of ideas and culture."

Another big advance for the chapter and future CPCUs is that many of the exams will be made available in both Japanese and English. With the help of Peter Miller, executive vice president of AICPCU/IIA, following his visit to Japan in March 2005, together with several of our chapter members and supported by text translators and IT staff, the chapter has begun the work to translate the CPCU textbooks into Japanese. Once this big task is completed, the students in Japan will be able to take CPCU exams either in English or in Japanese, whichever they prefer.

All CPCUs know how important ethics are no matter what language you use.

All CPCUs know how important ethics are no matter what language you use. This spring the ethics awareness month activities included special guest speakers on the ethical conduct of insurance brokers, which is an issue raised by the New York attorney general. With a strong assist from Marsh Japan Inc., whose director kindly agreed to be our guest speaker on this important topic, he shared some of his company's experiences regarding its involvement in the issues and expressed his personal views on the broker's ethical conduct. A very interesting presentation also included an overview of his company's Code of Conduct and how its operational procedures have changed following the investigation. This was an open and honest presentation that was appreciated by all chapters members who attended.

Finally, we are happy to report that we will have one new CPCU designee this year. The conferment ceremony will take place in Tokyo in November 2005, which coincides with our annual general meeting and new chapter officers' installation ceremony. We are hopeful that an officer from the CPCU Society will attend.

Despite Japanese language predominance in our chapter meetings, we wish to send a special invitation for the coming November meeting and Conferment Ceremony in Tokyo to CPCUs in Hong Kong, Singapore, and other Asian cities. Of course this invitation is open to all CPCUs wherever they may be. ■

The Globalization of Insurance Education

Institutes Respond to International Interest in Insurance Education

by Connor M. Harrison, CPCU

AICPCU IIA Succeeding together.

EDUCATION • RESEARCH • ETHICS

Connor M. Harrison, CPCU, is director of curriculum, and responsible for the Associate in Commercial Underwriting (AU) program, the Associate in Personal Insurance (API) program, and the Associate in Reinsurance (ARe) program at the AICPCU in Malvern, PA.

The Institutes (the American Institute for CPCU and the Insurance Institute of America) have always had some international students, but the globalization of insurance has led to increased global interest in the Institutes' courses. The Institutes have taken an increasingly more active role in offering insurance education beyond America's borders. This article outlines how the Institutes have supported the efforts of other insurance institutes and individual students abroad; it concludes with a discussion of the Institutes' new venture in China.

The Institutes' commitment to technical and professional insurance education through distance learning has made it practical for students abroad to earn Institutes' designations. The Institutes' learning model was developed to address the needs of students located away from U.S. centers of insurance commerce where classroom-based insurance education was more readily available. Likewise, this learning model enables students to take the Institutes' courses wherever they are located in the world. The international extension of this distance learning model has challenged the Institutes to provide secure, proctored examinations as they do in the United States.

More than 9,400 examinations were taken by international students in the past two years. Table 1 lists the 61 countries that have administered the Institutes' examinations. International students take their examinations at an Institutes' approved on-site testing center or at a Prometric Testing Center. With the exception of ARM examinations in France, ARe and Introduction to Underwriting examinations in Brazil, and a variety of exams in China, the Institutes deliver examinations in English. Most Institute examinations are multiple-choice, but the Institutes' most prestigious designation program, the Chartered Property Casualty Underwriter (CPCU®), requires students to answer essay questions.

As in the United States, the Institutes administer computer-delivered examinations internationally for both multiple-choice and essay examinations. Because the Institutes developed their own computer-based exam delivery system, the Institutes are able to use a wide variety of means for examination delivery. This includes the Internet delivery of a single examination to a single computer as long as the exam is proctored. Many companies have elected to establish an on-site testing center. This Institutes-approved facility increases convenience to employees while reducing the employer's exam expense. When computer delivery of an examination is not feasible, the Institutes

Table 1

Countries Where Institutes Examinations Have Been Taken Since 2003

Argentina	Guyana	Panama
Australia	Hong Kong	Philippines
Bahamas	India	Qatar
Bahrain	Indonesia	Romania
Barbados	Ireland	Saudi Arabia
Bermuda	Italy	Singapore
Brazil	Jamaica	South Africa
Canada	Japan	Sri Lanka
Cayman Islands	Jordan	Switzerland
Chile	Korea	Taiwan
China	Kuwait	Tanzania
Columbia	Lebanon	Trinidad and Tobago
Cyprus	Malaysia	Turkey
Denmark	Mexico	United Arab Emirates
Ecuador	Nepal	United Kingdom
Egypt	Netherlands Antilles	Venezuela
England	Netherlands	Vietnam
France	New Zealand	West Indies
Germany	Nigeria	
Grand Cayman	Norway	
Guatemala	Pakistan	

Table 2

Institute for Global Insurance Education (IGIE) Members

Assumption University of Thailand	Insurance Institute of Hong Kong
Australian and New Zealand Institute of Insurance and Finance	Insurance Institute of India
Bangladesh Insurance Academy	Insurance Institute of Singapore
Bahrain Institute of Banking and Finance	Insurance Institute of South Africa
Chartered Insurance Institute	Insurance Institute of Switzerland
Centro de Desenvolvimento de Seguros e Previdencia—CDSP	International Insurance Foundation
CPCU Society	LOMA
Fundação Escola Nacional de Seguros—Brazil	Malta International Training Centre
Insurance Institute of America	National Insurance Academy, India
Insurance Institute of Canada	Taiwan Insurance Institute
Insurance Institute of Colombia	The Saudi Arabia Institute of Banking

are prepared to provide paper versions of the examination for an additional fee. In working with international students in areas not served by a testing center, this approach is often the most expeditious.

In addition to those international students who pursue Institutes programs, the Institutes have several partners around the world. The CARM Institute of France has offered the Associate in Risk Management program courses in French since 1994. CARM has translated the ARM textbooks and offers the exams in French as well. Likewise, Fundação Nacional de Seguros (FUNENSEG), in Brazil, offers the Associate in Reinsurance program and the Introduction to Underwriting courses in Portuguese. The number of exams given internationally may also understate the impact of the Institutes' programs because the textbooks are sometimes used in foreign certification programs. For example, the Institutes' ARM textbooks are used as part of an educational program offered by the Insurance Institute of Canada.

In addition to the foreign translation agreements with the CARM Institute of France and FUNENSEG in Brazil, the Institutes have permitted textbooks to be translated into Russian and Japanese.

The Institutes are also founding members in the Institute for Global Insurance Education (IGIE). IGIE consists of organizations with goals similar to those of the Institutes: to assist other countries in addressing their insurance education needs. Current IGIE members are shown in Table 2.

The Institutes support a new IGIE effort to provide introductory insurance education programs through the Internet, using the Institutes' online classroom software to offer courses in both property and casualty and life insurance. IGIE provides these courses to its members who can, in turn, resell them to individual students. The exams for these courses are now offered at approved on-site testing centers throughout the world.

With its accession to the World Trade Organization, China is opening its property and casualty insurance industry to foreign insurers, and the need for knowledgeable insurance practitioners in China is increasing rapidly. In addition, the Chinese insurance regulatory body is establishing an insurance innovation center in northeast China, and it will require people with insurance knowledge to staff it.

Because of this significant growth opportunity, the Institutes partnered with the LOMA Institute of Greater China (LIGC), a provider of life insurance education in China, to establish the CPCU Institute of Greater China (CPCUIGC). CPCUIGC serves the property and casualty industry in mainland China, Taiwan, and Hong Kong, and has offices in Shanghai, China, and in Taipei, Taiwan.

CPCUIGC will offer a number of programs in China. The Institutes' Insurance Essentials course on CD-ROM is being translated into Chinese and modified to fit the Chinese market. The textbooks for the Institutes' four introductory courses (*Introduction to Property and Liability Insurance*, *Introduction to Claims*, *Introduction to Risk Management*, and *Introduction to Underwriting*) are also being translated into Chinese.

In response to the urgent training and development needs of this relatively new and growing industry, CPCUIGC will offer the new Professional General Insurance Certificate (PGIC) to college students, recent graduates, and others just entering the Chinese property and casualty industry. To earn the certificate, students must pass the Institutes' online Insurance Essentials course as well as the examinations in our four introductory courses. The PGIC is offered only in China through the CPCUIGC.

Other key Institute programs, including the CPCU® professional designation, will

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The Globalization of Insurance Education

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Table 3

CPCUIGC-Offered Programs

Insurance Essentials
Introduction to Property and Liability Insurance
Introduction to Risk Management
Introduction to Claims
Introduction to Underwriting
Program in General Insurance (INS)
Accredited Adviser in Insurance (AAI®)
Associate in Reinsurance (ARe)
Associate in Claims (AIC)
Associate in Risk Management (ARM)
Chartered Property Casualty Underwriter (CPCU)

be translated into Chinese over a three-year period. The programs to be offered by CPCUIGC are shown in Table 3. Exams are also being translated, and the Institutes have the capability of administering exams for them in both simplified and traditional Chinese.

The international interest in the programs provided by the Institutes continues to grow. The high quality of the educational materials, the rigorous and objective testing, and the reputation of these programs have made them highly sought-after credentials around the world. With both established and emerging international markets, the Institutes continue to forge partnerships to support the professional development needs of insurance practitioners the world over. ■

Europe Is Coming to Atlanta in October 2005

by Doug Smith, CPCU

"Insurance and Risk Management in the European Union and Neighbors" is the title of this year's Annual Meeting seminar developed by the International Insurance Section.

Many of you will know that the European Union has recently enlarged to 25 member states, and with the recent expansion many reforms and directives have been promulgated for the insurance industry. These changes create special challenges and opportunities for companies operating in the region.

Understanding this diverse population of more than 400 million and the underlying social and economic alliances will put you in position to build more effective business relationships and gain a better understanding of the cultural differences.

Within this context you will have a chance to hear from a qualified group of professionals on understanding the key issues relating to insurance regulations, requirements, and the marketplace in Europe, risk management developments in Europe, and the use of risk financing techniques to resolve market practice inertia.

The seminar is directed to any CPCU who is involved in business going into and/or international insurance programs including the European Union countries. Whether you are an agent, broker, claims handler, risk manager, or any other actor in the theater of international insurance, we think you will gain some useful insight by attending this seminar.

Atlanta is the home to one of the truly global companies, Coca-Cola, and we are fortunate to have as a panel member **Laurie R. Solomon,** risk manager of Coca-Cola. Solomon will provide a unique view of the myriad cultural and

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ATLANTA • OCTOBER 22-25, 2005

operational issues that a U.S. risk manager must manage throughout the EU.

We will receive some special insight from an international broker, **Paul Merlino** of Marsh UK. Merlino has been closely involved in business development in many of the "new" EU countries and will be able to enlighten all on how far these countries have come in a short time.

We will also have **Andras Koppanyi,** regional manager, AIG WorldSource, who will provide his insight on the insurer's role in structuring and managing global insurance programs.

Anthony L. Cabot, CPCU, ARM, country manager, XL Insurance Company Limited, Milan, Italy, will discuss key areas of concern in the implementation of a global insurance program.

Doug Smith, CPCU, of AIG Worldsource, will act as the moderator of this discussion, and will bring a vast knowledge of all these issues to the forum.

Register today at www.cpcusociety.org. ■

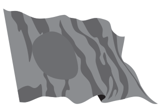
News from Home and Abroad

Complied from information provided by our members, others in global industries. and the Internet

Australia

Sydney—Commercial insurance rates in Australia are decreasing across most lines of business, according to a survey by the National Insurance Association Brokers Association of Australia. Brokers questioned for the study said 53 percent of their clients experienced reductions in premium at the June 30 renewal.

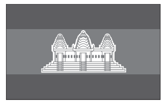
Bangladesh



Dhaka—Three insurance companies, with total paid up capital of Taka 15 crore, await the approval from the Securities and Exchange Commission (SEC) to float Taka 22.5 crore primary shares in the market. It is expected that they will receive the nod from the commission by the end of the year. Progati Life Insurance Company Ltd., Provati Insurance Company Ltd., and Northern General Insurance Company Ltd. have submitted the proposals to the commission. The completion of the procedure of finalizing the approval on IPO depends on how the management of the respective companies responds to the SEC letter, the source said adding that all the companies, if they satisfy the IPO rules, are expected to announce IPO subscriptions by this year.

Meanwhile, four insurance companies—Nitol Insurance Company Ltd., Asia Pacific Insurance Company Ltd., Progressive Life Insurance Company Ltd., and Sonar Bangla General Insurance Company Ltd.—have been given the approval for offering their IPOs, but they are not yet listed with the stock exchanges.

Cambodia



Phnom Penh—Cambodia's small and young insurance industry will have more competition with the joining of France's largest insurance company, Macif, with an investment of six million U.S. dollars in Cambodia's financially troubled Indochine Insurance, local media reported in July. Macif, with total assets of more than 15 billion dollars, will hold about 50 percent of the Indochine Insurance Company. Indochine was ordered to close by the government about two months ago because it did not meet that minimum requirement. Cambodia has four insurers currently operating in its insurance market, including Forte, Asia Insurance, Indochine, and the state-run Cambodia National Insurance Company, or Caminco, which started providing insurance in 1992.

Canada

Toronto—A heated debate over the true cost of auto insurance in Ontario pitted industry stakeholders against a consumer's advocacy group with both sides ultimately offering drivers the same advice—shop around. The study showed that Ontario drivers paid, on average, 80 percent more than their counterparts in British Columbia.

China

Beijing—The vast market potential has resulted in both the Chinese and Sino-foreign insurance companies making a gold rush on Beijing's insurance industry. This year, an average of two new insurers would start operations in the city almost every month, cited by the Insurance Association of Beijing. The total number of insurers reached 35 in early July.

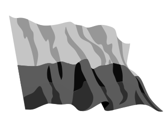
China's insurance regulator CIRC has proposed a revision of China's Insurance Law after insurance practices over the last few years exposed several flaws in the laws pertaining to insurance contracts. The Insurance Law underwent its first revision in 2002 to address sections regarding the insurance industry.

CIRC plans to implement reforms in the domestic air accident insurance industry by introducing more competition within the sector. At the same time, the insurance watchdog aims to convince more insurance firms to offer air accident products in an effort to provide more choices to consumers.

Shanghai—China's shares were rallied recently by news that more insurance companies are buying stocks, and concrete moves will be adopted to improve the capital market. A number of domestic insurers, including China Life, the biggest life insurer in China, and China Reinsurance, started to buy stocks through their asset management subsidiaries. More are expected to follow the trend. It is estimated that at most around 50 to 60 billion yuan (U.S. $6 to 7.2 billion) of insurance assets could be used for stock investments.

The Shanghai Municipal Labor and Social Security Bureau recently released a new set of workers compensation regulations, which will make it mandatory for employers in Shanghai to pay for insurance coverage for their workers. This new law, effective as of July, complies with the countrywide regulations on occupational injury that were enforced in January this year.

Colombia



Fall in insurance results during the first half of this year in the Colombian market showed profits of 242.28 peso (almost $90 m), 12 percent less than in 2003, even though premium income increased 4.9 percent reaching 2.9 billion pesos (about one billion dollars).

Continued on page 14

News from Home and Abroad

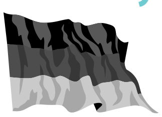
Continued from page 13

European Union

Following the example of New York Attorney General Eliot Spitzer scrutinizing the U.S. insurance industry, European regulators are investigating their own insurers. Separately, European Commissioner Neelie Kroes, heading the European Union's antitrust watchdog, said she wants to begin inquiries into Europe's financial-services sector, including insurance sold to industrial and corporate groups, later this year.

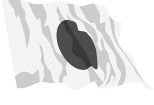
Despite the increased interest in the field of insurance industry shown by Spitzer in the U.S., Kroes in Brussels, other European regulators, including the French and German national supervisory bodies, haven't yet announced any desire to start similar investigations.

Germany



Allianz AG's unit Allianz Life and other German life insurers including AMB Generali Holding AG were ordered by Germany's highest court to make policies more transparent, and disclose more information on how final policy payouts are calculated. The German constitutional court said today life insurers don't give enough information about how surpluses on mature policies are calculated, failing to tell consumers that calculations are based on the book value of companies' reserves, rather than a possibly higher market value.

Japan



Domestic bonds are back in vogue again with the life insurers as long-term interest rates continue to rise. And Japan's nine major life insurers will boost investment in domestic bonds by a total of 1.4 trillion yen (U.S. $13 billion), up 70 percent from fiscal 2003.

Suit Settled for Three Japanese Insurers: Aioi Insurance Co., Sompo Japan Insurance Inc., and Taisei Reinsurance Co. have settled their suit with Fortress Re, receiving about 16 billion yen (U.S. $147.6 million) in real estate and other assets, in addition to an earlier payment of 28.4 billion yen.

Unusual Climate Boosts Demand for Weather Insurance. Non-life insurers have witnessed sales of weather derivatives, which compensate for damages caused by extreme climate deviations, soar by 50 to 100 percent in Japan in the last two years as more businesses suffer sales losses from the record-low summer temperatures.

More Insurers Face Leakage of Customer Information—AIG Edison Life and Nippon Life Insurance are the latest victims of leakage of their customer information. Nippon Life Insurance Co. said that personal information of up to 600 of its clients was stolen from a car of an employee while AIG Edison has reported the loss information of 413 of its clients.

Tighter Rules on Variable Annuities Create Greater Competition in Market Competition between Japanese and foreign life insurance companies are expected to heat up in light of the burgeoning variable annuities market, which has grown to a ¥3 trillion in Japan since 2002, and as the Financial Services Agency considers tightening regulations on variable annuities by forcing life insurers to increase their reserves for future payouts.

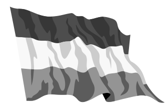
Korea

Foreign insurers increased their share of the Korean life market to 33.5 percent last year compared to 13.7 percent in fiscal 2003.

Mexico

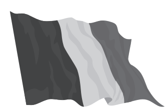
XL Insurance in Mexico has been licensed to start non-life operations in that country, including liability, professional risks, marine, fire, miscellaneous risks, earthquake, and other catastrophe exposures. The minimum capital required for this operation is nearly 3.6 million dollars.

The Netherlands



Amsterdam—Dutch financial company ING Groep NV plans to appeal against a ruling by a Mexico City court that its insurance unit in that country should pay $300 million in damages to mining firm Fertinal to settle a legal scrap that includes criminal charges against executives. ING said that reinsurance and provisions it had set aside would cover any risk after the ruling. Mexico's government owns a stake in Fertinal through bank bailout agency IPAB.

Romania

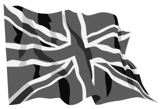


Non-life insurances continue to provide the Romanian market the largest value of gross written premiums. The value of the insurance policies for the first semester of last year reached about ROL 14,379 billion and was up 26 percent when compared with the similar period of 2003. Motor insurance still prevails in the portfolio with a share of 68 percent from the non-life sector.

Serbia

Generali is buying a majority shareholding in Belgrade-based Delta Holding, a composite insurance and banking company with premiums of E16m ($21.7m) in 2005. Delta writes commercial property and casualty insurance, including business interruption and general liability business. Generali is keen to expand in Eastern Europe.

United Kingdom



In March, the **U.K.'s Financial Services Authority** started a formal inquiry into "financial engineering" techniques, notably so-called finite reinsurance, parallel to those used by some U.S. companies to help corporate clients conceal their published earnings. The finite reinsurance has become a contradictory issue in the insurance world since U.S. regulators began investigation focused on the use of these contracts by American International Group Inc., prompting the recent resignation of Chief Executive Maurice Greenberg.

United States

National Concern

With TRIA expiring at the end of the year, and no question that terrorists are still waging a long-term crusade to inflict massive damage on the United States and other democratic countries, this is the most major element of economic protection of both homeland security and the ongoing war against terrorism. While there has been a recent spate of impressive academic and market research that highlights the continuing need for a public-private partnership to address catastrophic terrorism risk, the fact is that no workable solution has yet emerged.

However, in late July, proposals for a privately capitalized pool to cover a range of terrorism-related risks appear to be gaining ground, as a host of witnesses testified before a U.S. House subcommittee that the federal government could help spur the creation of new terrorism capacity in private insurance markets. The proposals were heard by the House Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises, which is preparing to draft legislation to address the future of the federal government's role in terrorism insurance once the current government backstop expires at year-end. It is understood that the staff of the full House Financial Services Committee will work over the August recess to craft a successor to the Terrorism Risk Insurance Act, and the committee should begin marking up the bill in September.

California

San Francisco—A binding arbitration clause in a disability policy sold by Lloyd's of London underwriters trumps a service of suit clause calling for insurers to submit to court decisions, California's Supreme Court ruled recently. The victory for insurers is significant because various London-market policies often contain both binding arbitration and service of suit clauses. Plaintiffs' attorneys across the United States have attempted to collect court awards rather than arbitrate by arguing that service of suit clauses nullify the binding arbitration agreements.

Los Angeles—A federal jury ruled Thursday that French billionaire Francois Pinault's holding company, Artemis SA, should pay $700 million in punitive damages to settle a dispute over the sale of failed insurer Executive Life Insurance Co. California Insurance Commissioner John Garamendi had accused Pinault and Artemis in a civil lawsuit of conspiring with the French government and other investors to thwart a state law barring foreign government-owned entities from controlling a California insurer.

Garamendi called the jury award a vindication for policyholders of the failed insurer.

His office also said there was legal precedent.

Washington, DC

The House approved medical malpractice reform by a largely party-line vote of 230 to 194. If enacted it would cap noneconomic damages in medical malpractice cases at $250,000 and set standards for punitive damage awards to be awarded, with some exceptions, only when "clear and convincing" evidence proves that the defendent acted with malicious intent to injure the claimant.

Wisconsin

The Wisconsin Supreme Court declared caps on non-economic damages (pain and suffering) unconstitutional. The reaction from physicians' organizations is that the decision is incredulous, that while the rest of the country is seeking to fix what is broken with our tort system through the enactment of caps, the Wisconsin Supreme Court has thrown them out. ■

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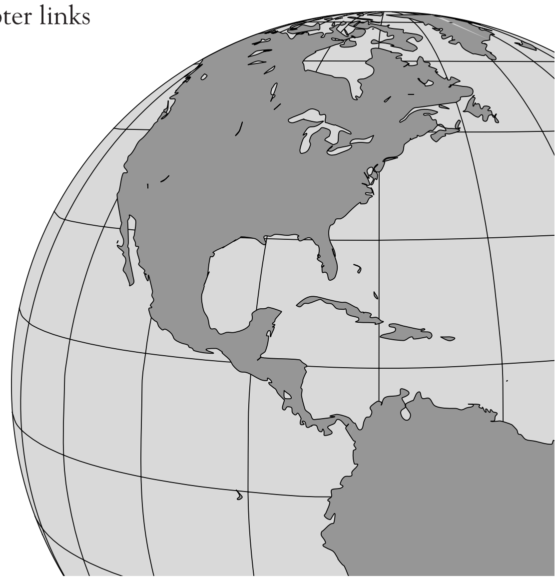

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