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Chairman’s Deck — Culture = ‘International’?

by Anthony E. Fienberg, CPCU, ARe, RPLU



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It would be easy to begin with a definition of international culture, but some personal references might actually be more meaningful. My two 6-year-olds and my 3-year-old were all born and raised in France, essentially with the French language and by French people. Even though I speak to my children in English — and only “understand” them when they reply to me in English — their surroundings are dominant.

In July, I sent them (yes, all three) to Pittsburgh, Pa., with my parents for three weeks of vacation and day camp. Although I’ll never know the full story because they are still too young to give complex emotional explanations, I would love to know what went through their

minds as they adapted to new ways of doing things, with a set of people who do not culturally resemble those with whom they live during the rest of the year.

Forget the language, because that’s only an off-shoot of culture. Children are exceptional sponges, and after a two-week immersion in the United States, my kids ended up even talking to each other in English (something they never do in France). Culture is about how people interact, what their priorities are and what is represented in their set of values.

Culture refers to habits, and it is probably one of the hardest “subjects” to learn

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Chairman's Deck — Culture = 'International'?

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because unless you have lived it, it is very hard to not know it. And from my own personal experience, culture is very hard to learn. Sure, there are books on, for instance, Americans living in France, including great details about what the French are like and how they act. But until you have some war stories of your own to tell, it is always surprising to discover how other people react in a given situation when their culture differs from yours.

When Do We Acquire Culture?

Psychologists will probably tell us that culture starts when a baby arrives in this world and is uniquely formed in our minds by the time we are adults. Personally, I moved to France when I was 25 years old (roughly 15 years ago), and all those who knew me before can attest to the myriad ways in which my accepted standards and habits have changed. Paris is in every aspect a long way from where I grew up — in the Midwest and Mid-Atlantic regions of the U.S. However, I have considerably, though not completely, changed the way I view life and molded to my local surroundings.

Examples of Cultural Differences

In Spain, when a local tells someone from North America that the doctor's office is on the "second floor," the visitor would likely go to the wrong level. An American or Canadian would assume that the office is one floor up from the ground floor, whereas Spaniards consider that level the "first floor."

In France, if you phone a business contact at her office, for example, and she is not in, the person who answers her phone would request that you call back later, putting the burden on you. In the United Kingdom, however, the person would instead ask, "May I help you or take a message?"

In most Western cultures, when a problem arises, there is often a period of time (sometimes brief and sometimes

long) during which people try to find out who made the mistake; under the same circumstances in Japan, the chief concern would be to find the solution.

In China, if a guest finishes the food on his or her plate, it signals that he or she is hungry, whereas in Switzerland, it is not only polite to finish what you are served, but it is a compliment to the host because it shows that the food was good.

Unlike Korean table manners, it is acceptable in Japan to cradle one's rice bowl in one hand when eating. (Incidentally, Japanese rice bowls have a thicker bottom and are made with heat insulating materials.)

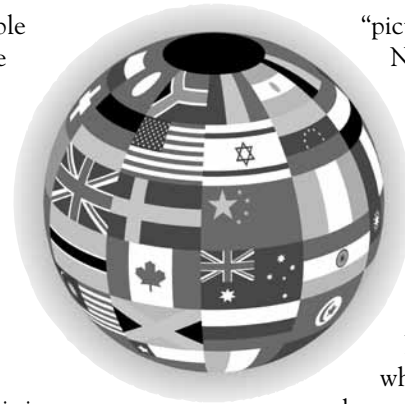
Does Culture Have to Involve a Different Language?

Interactions between "same language" nations have numerous times shown that sharing a language does not mean that the same words carry the same meaning.

In England, if a local suggests that a car be taken to the "garage," an Australian would assume that the car needs to be repaired. The Englishman's intention, however, would be that the car needs some gas. (In Australia, you go to a "petrol station" for gas.)

In Mexico, the phone is answered "hola," whereas in Puerto Rico, you say "digame." At the beach in Portugal, if a Brazilian asks, "Where is the Banheiro?," the locals will point to the lifeguard. However, the Brazilian probably wanted to know the location of the toilets. The confusion arises because in Brazilian Portuguese, a lifeguard is "salva-vidas."

If an individual from Surinam is in the Netherlands and stops someone on a city street to ask, "Where is the foto?," the local will probably wonder what



"picture" (the meaning in Netherlands Dutch) he or she is referencing; in Surinamese Dutch, "foto" means "city center."

At bar in Switzerland, if a German asks for a "pils," the locals most likely will not understand what he or she is ordering because that word is not part of the Swiss vocabulary. (The German was just asking for a beer.)

Any one of these pairs of interactions would show that speaking the same language still can lead to a cultural barrier.

Does Culture Need to Be International?

In the movie *Trading Places*, Eddie Murphy shows that there are different cultures at different social levels. In a similar vein, there are cultural differences among city dwellers, suburbanites and those who live in the countryside. Different companies also have different cultures, not to mention the difference between the ambiance of the accounting versus the sales departments of the same company. Cultural differences can also be found in religion, not necessarily between religions but for instance, between two different people — one who is a fervent believer and the other who is "loosely" affiliated.

While "international" issues almost always have a cultural aspect that must be addressed, culture exists in many different facets of society, most of which we do not recognize because they are simply "the way we do things." Knowledge of culture is about being able to ask the question of yourself or the people around you that allows you anticipate what you need to say, do or feel in order to be an integral part of your surroundings. Certainly, I have made my share of gaffes and will continue to do so; but I have learned so much in the process that I feel much richer for it as a human being. ■

Editor's Note — Swine Influenza (H1N1) Update

by Mickey Brown, CPCU, ARM



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This article provides an update to the editor's note on pandemics in the July 2009 edition of *International Perspectives*. According to a World Health Organization (WHO) Oct. 9, 2009, update, about 350,000 confirmed cases of the Influenza A (H1N1) virus, commonly referred to as Swine Flu, have occurred in 190+ countries and territories. More than 4,000 deaths have been reported as a result of the flu, the majority in the Americas. As some countries are not reporting all cases, the above counts are believed to be significantly less than the actual amount of cases.

At this time, most individuals who have become ill with the virus experienced typical flu-like symptoms and have recovered without requiring any special or extraordinary medical treatment. However, anyone who contracts Swine Flu may become severely ill, and people in certain groups appear to be at higher risk.

The world health community's understanding of the virus continues to evolve, and the Centers for Disease Control and Prevention (CDC) recently modified its guidance on the amount

of time individuals with influenza-like symptoms should be excluded from contact with others. Those with influenza-like symptoms should remain at home until at least 24 hours after they are free of fever (100 degrees F, 38 degrees C), or signs of a fever without the use of fever-reducing medications. (In most cases this occurs between 3–5 days after onset.)

The U.S. Department of Health and Human Services and the CDC issued guidelines employers can follow to build a preparedness and action plan in a flu outbreak. However, experts say fear of a pandemic may have waned and employers may have slipped into a false sense of security. Therefore, the H1N1 influenza virus could wreak havoc on employers if they are not prepared.

In its guidelines, the CDC asks employers to work with employees to implement plans that can reduce the spread of flu, while keeping their business functioning during a slumping economy. The CDC also advises employers to encourage employees to receive a vaccination for seasonal flu as well as the H1N1 virus when that vaccine becomes available.

Employers also should be flexible in allowing employees to stay home if they are ill, without fear of losing their jobs. Actions such as unpaid leave and negative vacation balances are examples of two methods of absence management when workers have already used their available days off.

Businesses should get to know their local health officials and community leaders, who will communicate flu risk information in affected local areas. (Another way employers can gauge the seriousness of a flu outbreak is monitoring school closings.) Government agencies also encourage that other steps — such as stocking up on hand sanitizers, soap, tissues and other infection-prevention products — be done as early as possible, so they will be readily available during an outbreak, when stores and distributors may not be able to keep up with demand.

In general, pandemic plans must include the ability to react quickly and reflect the flexibility to change scenarios depending on the pandemic severity. Pandemic planning should address both economic and social conditions. Social concerns include the health and safety of employees, human interactions and employee isolation. Economic issues include employee recovery, loss of suppliers and diminished customers.

An important consideration is that while physical assets and information technology may not be affected directly, the employees who operate the support structure may be distressed, particularly if there are high levels of absenteeism either from employees' own illnesses or having to care for others.

Refer to Figure 1 for a suggested pandemic planning resource map. In summary, effective pandemic planning also requires due diligence focused on:

- Critical business processes.
- Supply chain and infrastructure.
- Medical and human resource policies.
- Insurance policy contracts.

From an insurance policy standpoint, fear that H1N1 may be present in or near the insured's property (resulting in employee absences or diminished customers) will likely not trigger coverage. Moreover, most insurers are likely to find that the presence of H1N1 does not constitute physical loss or damage under the policy. Of course, the outcome of any claim is dependent on its facts and the legal rules in the applicable country jurisdictions. Let's focus specifically on property/business interruption and workers compensation insurance issues.

Property Insurance

Despite the potential for H1N1 to result in significant business disruptions, there will not be many situations in which property (business interruption and time element) insurance policies

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will provide coverage. In addition to the lack of physical damage, property insurance companies may also refer to “contamination” exclusions.

As business interruption is not a financial guarantee, it does not cover a decline in profits due to reduced traffic where the business is located. An exception here could be the “civil authority” provisions that grant limited coverage when governmental authority prohibits access to the facility. However, “civil authority” must be triggered by an event that would also be covered if it had happened at the insured premises. H1N1 may not be such an event! Of course, it is even more likely that coverage will be denied if a business closes on a voluntary basis.

There are few insurers that currently offer stand-alone pandemic coverage options to transfer business

interruption losses. Coverage is typically very expensive and includes significant deductibles as well as coinsurance. Most stand-alone pandemic policies include a public health trigger, such as requiring the WHO alert to reach level 5 or 6. For the H1N1 virus or variants, insurers are reluctant to consider coverage because the alert has already reached level 6. (Please refer to the July 2009 issue of *International Perspectives* for a complete description of WHO pandemic level phases.)

Workers Compensation Insurance

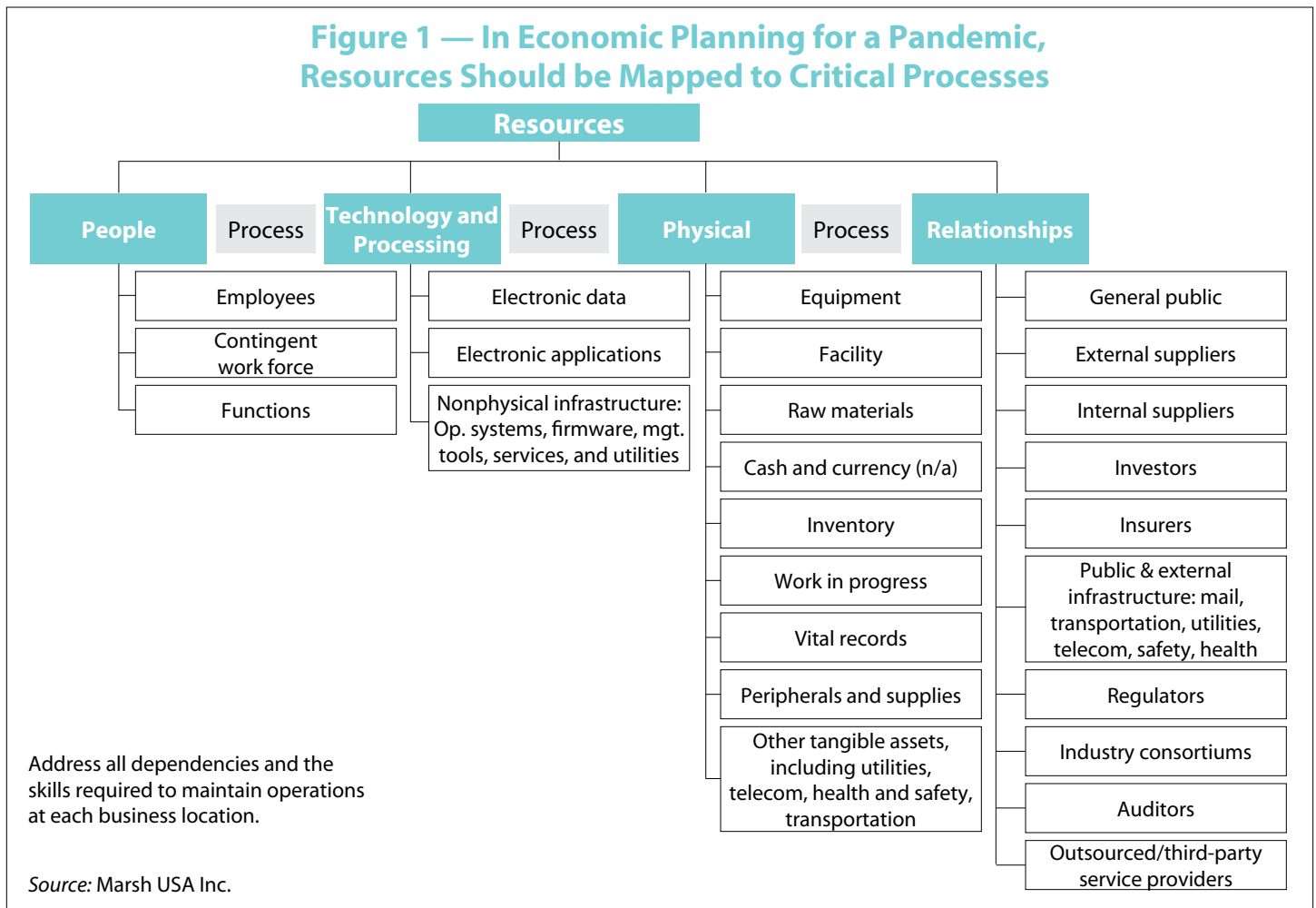
Depending on local statutes relative to occupational disease, workers compensation could be the mechanism to cover pandemic flu-related employee disability, as long as the exposure meets the jurisdictional compensability

standard. In general, an occupational disease is caused due to excessive exposure to hazardous substances at work.

Employees affected by disability under such conditions could therefore receive compensation benefits, pursuant to the respective laws of workers compensation. Some jurisdictions specifically list those occupational diseases that are covered, and others consider whether the risk of exposure is greater on the job than it would be to the general public. In any case, this interpretation will vary by country and state/provincial laws.

While insurance policies may or may not be a key source of recovery in the event of a pandemic, an understanding of the coverage issues and potential responses can certainly assist in the pandemic planning process. ■

Figure 1 — In Economic Planning for a Pandemic, Resources Should be Mapped to Critical Processes



Thailand Political Risk — Still in Jeopardy

by John L. Linantud, Ph.D.



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Editor's note: This is the fourth in a series of articles commissioned by the CPCU International Insurance Interest Group on Asian country political risks. Previous articles addressed Vietnam, the Philippines and China.

Introduction

In 1992, Bangkok was in turmoil as demonstrators tried to force a military government to relinquish power. The armed forces had fired into the crowds and hundreds of people likely died. In response, King Bhumibol Adulyadej (born 1927; king 1946–present) personally commanded the prime minister (PM) and the opposition leader to stop the violence. The two supplicants, both career soldiers, obeyed and prostrated themselves before the king and a national television audience, all of which started an era of civilian government that lasted until the coup of 2006. As we shall see, this coup is part of an ongoing crisis in which even King Bhumibol has struggled to harness centrifugal forces that threaten to tear the country apart. (See Table 1.)

Siam to Thailand

In 1939 the Kingdom of Siam changed its name to Thailand to accentuate the modern and nationalist credentials of the new regime. Unfortunately, World War II (1941–1945) proved a failure to Thailand after the country joined Japan in a doomed bid to regain territories Siam had lost to imperial Britain and France. Only U.S. pressure stopped Britain from annexing even more of Thailand after the surrender of Japan.

After World War II, Thailand became an anti-communist U.S. ally during the Cold War (1950–1991). Bangkok sent



troops to fight in both Korea (1950–1953) and Vietnam (1965–1973), but compared to the Four Tigers of Asia — Hong Kong, Singapore, South Korea and Taiwan — Thailand cared little about industrial planning.

Under the military-dominated politics, coups were the standard method of regime change, poverty and inequality were widespread, and elite generals, ministers and Thai-Chinese businessmen gained a global reputation for factionalism and collusion. The police and army, moreover, seemed to invest more in vice and narcotics than in national security.

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Table 1 — General Thailand Facts

Official Name	Kingdom of Thailand
Religion	Buddhist — 95%
Comparative Size	Two times the size of Wyoming
Population	65,905,410
GDP per capita (2008)	\$8,500

Source: *CIA World Factbook*: Thailand, <https://www.cia.gov/library/publications/the-world-factbook/geos/th.html>, accessed Aug. 2, 2009.

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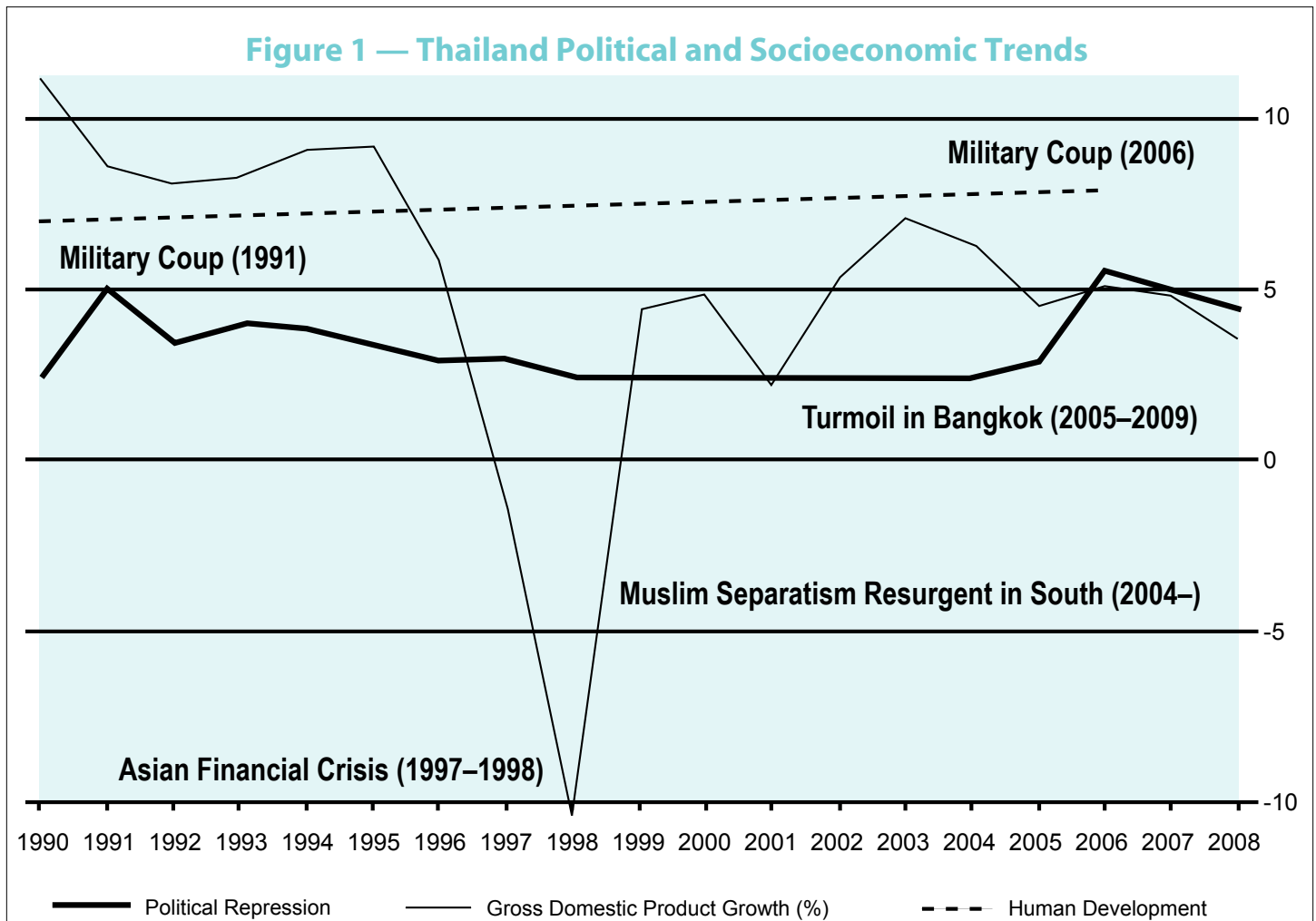
Front Line State and Fifth Tiger

Urgency began to replace complacency after Thai communists rebelled in 1965. In 1975, Thailand's geopolitical situation devolved from bad to worse when communists won the Vietnam War and overthrew the monarchies in neighboring Laos and Cambodia. By 1980, Vietnam had occupied and installed client regimes in these two countries, turning Thailand from a backwater into a front-line state against revolution in Southeast Asia.

Thailand avoided becoming the next domino by implementing a set of difficult reforms that shaped the nation we see today. First, the crisis forced Bhumibol, a private man, to become king after the assassination of his brother. He toured combat zones, worked with his hands and was photographed with real sweat on his brow. Unlike the monarchs of Vietnam, Laos and Cambodia, Bhumibol not only survived but prospered during the Cold War because his personal integrity translated into legitimacy for the entire state.

Second, Bhumibol's right-hand man, General Prem Tinsulanonda (born 1920; Prime Minister 1980–1988; current Privy Council chief), focused on nation-building, counterinsurgency, and the extension of government authority to Thailand's raucous frontiers with Burma, Laos, Cambodia and Malaysia, all home to ethnic minorities, communist insurgents and narcotics traffickers. Third, businessmen and government ministers pursued an industrial strategy based on foreign investment and exports.

Figure 1 — Thailand Political and Socioeconomic Trends



Notes: Possible human development scores range from zero to 10, with 10 designating high life expectancy, literacy, school enrollment and GDP per capita. Political repression ranges from 1 to 7, with 7 designating severe repression of political and civil rights.

Sources: Asian Development Bank, "Key Indicators for Asia and the Pacific 2008-Thailand"; CIA *World Factbook*: Thailand; Freedomhouse.org; United Nations "Human Development Report 2007/2008" and "HDI 2008 Statistical Update-Indicator Tables," Human Development Index 2008.

Thailand made several unpleasant choices: The government limited political and civil rights, the military was ruthless against insurgents, and Bangkok allied with communist China and the infamous Khmer Rouge to push Vietnam from Cambodia. Nevertheless, by 1991 the communists had been defeated and high GDP growth rates tempted some analysts to dub Thailand the “Fifth Asian Tiger.” As illustrated by Figure 1 on page 5, Thailand’s steady human development created a far more literate and educated public, and political repression eased until the coup in 2006. The king and the armed forces, however, reserved the right to intervene in civilian politics in a time of crisis.¹

Figure 1 indicates that the economy began to slip in the late 1990s, when a regional financial meltdown delivered negative growth and large-scale rural indebtedness. In 2004, a tsunami damaged the world-famous resorts on Phuket Island, and political violence and terrorism returned to three majority Muslim- and Malay-speaking provinces in the far south that had seen several wars for autonomy or independence since annexation by Siam in 1902.



Man of the People — King Bhumibol Adulyadej (Author Photo)

Figure 2 — Political Timeline 2001–2011

2001: Thaksin Shinawatra elected Prime Minister (PM) while under indictment for fraud; Thaksin acquitted. (Michael J. Montesano, “Thailand in 2001: Learning to Live with Thaksin?”, *Asian Survey* 42, 1, January/February 2002, pp. 90-99)

2005: Thaksin re-elected PM. (Robert B. Albritton, “Thailand in 2005: The Struggle for Democratic Consolidation”, *Asian Survey* 46, 1, January/February 2006, pp. 140-147)

2006: Under pressure from street protests, Thaksin prevails in snap elections, but opposition boycotts and court rulings prohibit formation of new government; military seizes power while PM visits United Nations and purges Thaksin loyalists from armed forces; coup endorsed by King Bhumibol and Privy Council. (James Ockey, “Thailand in 2006: Retreat to Military Rule,” *Asian Survey* 47, 1, January/February 2007, pp. 133-140)

2007: Pro-Thaksin People Power Party (PPP) wins elections despite Thaksin in exile. (James Ockey, “Thailand in 2007: The Struggle to Control Democracy,” *Asian Survey* 48, 1, January/February 2008, pp. 20-28)

2008: Courts convict Thaksin in absentia for corruption; violence escalates between pro-Thaksin Red Shirts and monarchist Yellow Shirts; Yellow Shirt blockades of government offices, television stations, and airports force courts to dissolve PPP governments in September and December; Democrat Party gains power and elects Abhisit Vejjajiva PM. (Kitti Prasirtsuk, “Thailand in 2008: Crises Continued,” *Asian Survey* 49, 1, January/February 2009, pp. 174-184)

2009 (through mid-September): Red Shirts force postponement of East Asia-Association of Southeast Asian Nations Summit; police crackdown on Red Shirts in Bangkok; Yellow Shirt leader Sondhi Limthongkul survives assassination attempt; Red Shirts petition King for royal pardon of Thaksin; Sondhi faces multiple charges of libel. (“Thai ‘Yellow Shirt’ founder wins jail appeal,” www.channelnewsasia.com, Sept. 12, 2009; AFP Bangkok, “Govt warns of delay on Thaksin ruling,” *Gulf Times*, Aug. 18, 2009; “More warrants in Sondhi case likely,” *Bangkok Post*, Aug. 9, 2009)

2011: Elections for Prime Minister.

The latest insurgency has driven Westerners from the area, claimed over 3,500 dead and shows no signs of slowing down. To further complicate matters, an old boundary dispute with Cambodia flared up, and intelligence from Myanmar (nee Burma) suggests that country may pursue a nuclear program.²

Capital Turmoil

The hardy citizens of Thailand are accustomed to geopolitical risk, economic disorder and bad weather. The problems in Bangkok since 2006 really revolve around the rise and fall of former

policeman and telecommunications billionaire Thaksin Shinawatra — once Prime Minister and richest man in Thailand but now an exiled criminal barred from holding public office — and the deterioration of the rule of law.

Thaksin versus the Establishment

The timeline in Figure 2 reveals several important patterns. First, in 2001–2007, Thaksin and his allies dominated elections for the popular

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Thailand Political Risk — Still in Jeopardy

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legislative assembly, which selects the PM. Second, the political establishment has negated these elections through boycotts, military pressure, street protests, criminal investigations and court rulings. Third, People Power by both sides has led to civil violence and the disruption of everyday life. Fourth, current Prime Minister Abhisit Vejjajiva is not popularly elected and, should his government survive that long, will possess a weak mandate until the 2011 elections. (See Figure 2.)

The removal of Thaksin is a victory for Cold War-era guardians, led by 88-year old Prem Tinsulanonda, who saw Thaksin as too independent of the established order; too connected inside the armed forces and the media; too able to buy votes and allies; too corrupt, even by local standards; and even too popular to remain in power.

Thaksin's early headline programs were financially reckless, especially grants of 1M baht (@ U.S. \$30,000) each to 70,000 local villages, state purchase of bad loans, the suspension of rural debts, and virtually free doctor visits. Furthermore, Thaksin ordered a "War on Drugs," especially methamphetamine, which caused almost 3,000 deaths in 2003 alone. Anyone who tries to clean up narcotics in Thailand will sooner or later run afoul of elites who protect the rackets, but Thaksin also dismissed the establishment as old-fashioned, harassed critical journalists through bank audits and placed inexperienced cronies in public offices.³

Critics thus concluded that Thaksin was an incipient dictator waiting for a chance to seize even more power or, in a spectacular worst-case scenario, turn the country into a republic with no monarchy or state protections of Buddhism. Ironically, Thaksin's own popularity sealed his fate after he won enough legislative seats in 2005 to block opposition votes of no-confidence. The failure to counter Thaksin through constitutional means paved the way for the coup of 2006.



Democracy Monument in Bangkok. (Author Photo)

People Power versus the Rule of Law

The unfinished conflict between Thaksin and the Bangkok establishment has exposed the country to long-term uncertainty on other fronts. Electoral returns, for instance, indicate that Thaksin's support comes from rural voters in the North and Northeast, while his opposition comes from cities and the South. Such a regional and cultural divide may polarize the country for years. The use of People Power and multimedia-driven "guerilla theatre" to compel regime change, moreover, is fraught with the risk of civil violence, crackdowns by security forces and another military coup (should street protests spiral out of control).

Thaksin's supporters wear red, the international color of bottom-up social change, while their opponents wear yellow to represent the king. Thaksin is no communist, but some "Yellow Shirts" think the worst of some "Red Shirts," given Thailand's revolutionary past and current proximity to communist China, Laos and Vietnam. Regardless of what they stand for, both camps overwhelmed the rule of law in 2008 and 2009. Large-scale bloodshed has been avoided, but

several people have died, and official casualty estimates from Red-Yellow street brawls and confrontations with riot police are unreliable.

More certain is that Thailand is losing the battle against its lawless reputation. (To be fair, a certain type of tourist visits the country precisely for vice and narcotics.) In 2008, Transparency International, a global civil society organization leading the fight against corruption, ranked Thailand a respectable 13 out of 32 states in the region, behind Malaysia and Singapore but ahead of Vietnam, Philippines, Cambodia, Laos and Myanmar. Tourism, which accounts for 6 percent of GDP, might still contract by 30 to 40 percent in 2009, partly due to incidents like the Yellow Shirts occupying airports that stranded 300,000 travelers last December. Simply put, Thailand cannot afford to sabotage tourism during a global downturn and a decline in GDP growth that began in 2003.⁴

What Next?

The negative public reaction to the cancellation of the East Asia-Association of Southeast Asian Nations summit because of Red Shirt demonstrations, the Thai New Year riots in Bangkok and

the attempted assassination of Yellow Shirt leader Sondhi Limthongkul, all in April 2009, may prove a turning point in restoring normalcy to Bangkok. One indicator would be the successful completion of the summit rescheduled for October 2009.

The willingness of the Yellow and Red Shirts to stand down, however, will face a severe test in the 2011 legislative elections. Whoever loses should resist the impulse to reverse the outcome through People Power or extra constitutional means. This might prove difficult for the Yellow Shirts if Thaksin or his proxies again do well in the polls.⁵

Thailand must deal with another issue. The 81-year old King Bhumibol endorsed the coup of 2006, but his disapproval of Thaksin has not stopped the Red Shirts from protesting or agitating for his return. Why not? Since the King is a political actor, it is logical to ask if others manipulate him to determine how much the legitimacy of the state still depends on the monarchy and to speculate how much of that legitimacy depends on Bhumibol as a man rather than the throne as an institution. Such questions carry implications for Thailand's present and future stability.

Unfortunately, *lese majeste* laws obstruct trying to answer them. During the Cold War, the government correctly judged that communists would eliminate the monarchy, so being a communist was, and is, a violation of *lese majeste*. But authorities still act as if anyone who might offend the monarchy poses a threat to national security. The result is a small number of prosecutions and a much larger zone of self-censorship among citizens, public officials, activists, scholars and journalists.

Conclusion

Thailand is dealing with several political crises, none of which will be resolved in the near future. A realistic appraisal of political violence and terrorism must anticipate further insurgency in the



Spires in Wat Phra Keo, Bangkok, Thailand

south, lingering disputes along Thailand's other borders and unpredictability in Bangkok.

Barring a coup or revolt that dissolves the current government, the next hurdle will be the legislative elections of 2011. If they breed a new round of People Power and coups, Thailand might very well become a regional afterthought. The eventual passing of King Bhumibol will offer an even deeper test of Thailand's ability to adapt to change. The implications of a weak royal successor in this fractious country suggest that his exit is not something to be welcomed. ■

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The Environmental Liability Directive — A Challenge for the European Insurance Industry

by Mathias Schubert



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Editor's note: This is the second in a series of articles presented by the International Insurance Interest Group on the European Union's Environmental Liability Directive. The author, Mathias Schubert, based this article on his Gen Re Topics No. 16 paper, "The Environmental Liability Directive — A Challenge for the European Insurance Industry," and is reprinted with permission. © Gen Re Corporation and Kölnische Rückversicherungs-Gesellschaft AG 2008. The third and final article in the Environmental Liability Directive series will focus on the German insurance market and the impact of the Environmental Liability Directive.

The Environmental Liability Directive (ELD) poses two questions for liability insurers. The first question is whether potential coverage for ELD losses exists under the current General Liability policy wordings. The second question concerns new insurance concepts that make coverage available intentionally with regard to environmental liabilities under public law, including liabilities under the ELD.

ELD Coverage under Conventional General Liability Policies

Considering that liabilities under the ELD are at least partly at the borderline of insurability, one would probably agree that coverage in respect of these liabilities should always be the result of a deliberate act, accompanied by appropriate risk assessment and other underwriting protocols, rather than the result of "given" standard products.

In the short-term to midterm, markets would therefore appear to be acting wisely if they made sure that conventional general liability (GL) policies do not afford coverage in respect of environmental damage under the ELD (and arguably other, already existing statutory provisions). Of course, this raises a number of questions concerning the policy forms.

In the context of standard GL coverage, two issues need to be analyzed. The first issue is whether liabilities under the Directive come within the coverage grant of a GL policy. If this is the case, or is arguably the case, the next issue is whether the pollution exclusion removes the coverage.

Coverage Grant

The first issue raises several questions. The first aspect is whether or not the type of liability imposed under the Directive is within the scope of the

insurance cover. In some markets, it is "civil liability" rather than "legal liability" (e.g., Germany, Austria, France, Italy and Spain). Liability under the Directive would indeed qualify as "legal liability," but not as "civil liability."

Another question arises where the GL policy affords coverage in respect of legal liability for "damages." Are clean-up costs that are imposed by the government considered to be "damages"? The position that this is not the case was a judicial trend in the U.S. until about 1990. Since then, however, more and more U.S. courts have moved in the opposite direction, holding that cleanup costs do constitute "damages." Of course, the precise wording of the policy is important. If the word "compensation" is used rather than "damages," a court of law might construe the policy to provide wider coverage.

The third aspect is whether "environmental damage" falls under any category of covered losses. Unlike Environmental Impairment Liability (EIL)/Pollution Legal Liability (PLL) policies, GL policies do not use terminology specific to environmental matters in the coverage grant. Internationally, the common denominator for GL policies is that they provide coverage for bodily injury (BI) and property damage (PD), which are in most but not all cases further defined. Coverage for BI and PD will include financial loss consequential to the BI/PD. Coverage beyond this common ground comes in two flavours: specific coverage extensions (such as libel, slander or trespass) and "all risk" extensions called pure financial loss, financial loss or economic loss coverage (i.e., coverage for financial loss not consequential to BI/PD).

Assuming the basis coverage grant just described, the question arises as to whether "environmental damage" may constitute property damage. The answer is to some extent a factual issue.

An interesting legal question concerns whether a claim for property damage can fail because environmental damage (as defined in the ELD) does not constitute damage to individually owned property. In the U.S., numerous courts have decided that an insured is covered for property damage — not only where the property “belongs” to the claimant, but also where the claimant holds the property “in trust” for others, such as a state in its role as a trustee of the natural resources of the state for its citizens.

Internationally, the common denominator for GL policies is that they provide coverage for bodily injury (BI) and property damage (PD), which are in most but not all cases further defined.

Understandably, insurers’ first and foremost concern would be insureds who may become liable as site operators. Nevertheless, thought should also be given to exposures that are not directly site-related. Such exposures can stem from contractors who perform work on third-party premises or product manufacturers whose products are being used at such premises. Such insureds may cause conventional property damage at third-party premises, which could subsequently cause environmental damage requiring remedial measures. The cost incurred for these measures might be viewed as consequential loss flowing from the covered property damage, in which case insurers could end up paying for environmental damage “indirectly.”

One might argue that this type of scenario is less likely to materialize than scenarios concerning only site operators, but the fact remains that a policy can suffer significant loss from an exposure that has not been contemplated. This

aspect has prompted the relevant working party with the German Insurance Association to develop exclusionary language that would remove from coverage any liability attaching solely by operation of the ELD under all existing covers, including GL policies.

Pollution Exclusions

• The United Kingdom.

Various pollution exclusions are in use in the U.K., but the most widespread are the Association of British Insurers (ABI) wording (or a company-specific version of it) and Lloyd’s Underwriters’ Non-Marine Association (NMA) Clause 1685.

The ABI wording excludes “all liability in respect of Pollution or Contamination” unless it is “caused by a sudden identifiable unintended and unexpected incident which takes place in its entirety at a specific time and place during the Period of Insurance.” Thus, “sudden and accidental” scenarios triggering liability under the Directive would be covered — if the “environmental” damage constitutes PD or if a coverage extension such as pure financial loss applies.



NMA Clause 1685 (“Industries, Seepage, Pollution and Contamination Clause No. 2”) contains exclusionary language relating to “(1) Personal Injury or Bodily Injury or loss of, damage to, or loss of use of property, and (2) the cost of removing nullifying or cleaning-up pollution, and (3) fines, penalties, punitive or exemplary damages.” Under the first two conditions, a write-back reinstates coverage if the “seepage, pollution or contamination is caused by a sudden, unintended and unexpected happening during the period of this Insurance.” Again, “sudden and accidental” scenarios triggering liability under the Directive would not be barred from coverage by the exclusion. The write-back under the second condition is noteworthy, and its coverage implications would perhaps merit further investigation.

• Continental Europe.

Policies in Germany, Austria, France and Spain cover “civil liability” rather than “legal liability.” Therefore, liability arising directly from the Directive is not covered; only “indirect” liability — ELD costs in the form of consequential loss flowing from traditional property damage — would seem possible.

In most markets of the “old EU,” partial pollution exclusions are standard. Such exclusions are also used in Member States in Central and Eastern Europe as an alternative to full pollution exclusions. Typically, partial pollution exclusions remove from coverage the losses arising out of gradual scenarios, leaving intact coverage for “sudden and accidental” discharges of pollutant. In some markets, such as France and Italy, the limited pollution coverage is normally subject to a sub-limit; more and broader coverage is available based upon the local pool solutions. ■

An Introduction to Transfer Pricing

by Keith Robinson, Ph.D., Dan Axelsen, Ph.D., and Dana B. Wissman



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Most firms are organized as a series of separate legal entities, often with a parent company as well as a number of operating subsidiaries who sit under the parent. These subsidiaries might operate in different states, or in different countries, from that of the parent.¹ There is often a clear distinction between the functions that the parent company performs versus those performed by a particular subsidiary. For example, the parent might perform its company's key strategic decision-making activities (e.g., CFO or CEO), while a subsidiary might perform certain routine distribution or manufacturing functions related to its core product offerings.

The related entities within the group would typically transact with each other in conducting their business. For example, the entity performing distribution functions may buy products from the entity performing manufacturing, and both of these entities might obtain management services from the parent. The prices charged in these related party transactions affect the

income reported, and therefore the taxes paid, by each related party in the group.

The role of the transfer pricing regulations is to prohibit companies from distorting their income and from avoiding taxes by manipulating the prices charged in their related party transactions. Transfer pricing rules seek to prevent this distortion by requiring the prices charged in related party transactions to be consistent with the prices that would be charged if the parties were not related. This article will introduce the concept of transfer pricing by using an example of a hypothetical company with one parent and two subsidiaries.

In developing this example, consider a certain product that the hypothetical company markets, produces and sells — the widget. A second assumption is that the parent company is located in the United States, in the state of California, with its two subsidiaries located in Canada and the United States (in the state of Florida). Furthermore, Canada and the United States have different federal tax rates, and California and Florida have different state tax rates. The transfer pricing rules in Canada and the United States are different in certain ways, which has transfer pricing implications.

Possibly the most fundamental consideration, in determining a price at which related parties should transact, is to develop a thorough and complete understanding of the underlying facts and circumstances of the transaction — that is, to clearly understand the foundation of the transaction. More specifically, in order to establish an appropriate transfer pricing policy it is necessary to delineate the functions performed, risks assumed and assets employed by each related entity, both the parent and each subsidiary.

In this hypothetical example, the parent (“Strategy US”) primarily functions as the key strategic decision maker for the company, including:

- Making all sales and marketing decisions regarding the widget.

- The price at which the widget is sold.
- The way in which the widget is packaged.
- The coloring used on the widget.
- The form and shape in which the widget assumes.

Strategy US also provides financing and other cash management services to its two subsidiaries through its treasury, and provides legal support, information technology, human resources, budgeting and other services related to strategic decision making.

The U.S. subsidiary (“Widget US”) is the manufacturer of the widget and produces the widget in its Florida plant. Some of the widgets produced by Widget US are sold to U.S. customers and some of the widgets are sold to Canadian customers through the company’s Canadian subsidiary (“Widget Canada”), which routinely distributes the widgets in the Canadian market. Therefore, Strategy US provides strategic management services to each of its two subsidiaries.² Furthermore, Widget US sells widgets to Widget Canada for distribution to third-party Canadian customers.

Functionally speaking, Strategy US is a service provider, Widget US is a manufacturer, and Widget Canada is a distributor. Thus, the aforementioned intercompany transactions raise the following questions:

- Should Strategy US charge for the services it provides to Widget Canada and Widget US?
- Should Widget US charge Widget Canada for its manufacture and sale of widgets to Widget Canada?
- What is the role of transfer pricing in evaluating these intercompany transactions?

First, Strategy US should charge both Widget Canada and Widget US for any services that it performs on behalf of either entity where the subsidiary receives a direct benefit from the

provision of the services — normally strategic management services by their very nature provide direct benefit to the service recipient.³ Secondly, Widget US should charge Widget Canada when it sells widgets to Widget Canada. Transfer pricing is a formal framework that can be used to establish such prices.

The role of the transfer pricing regulations is to prohibit companies from distorting their income and from avoiding taxes by manipulating the prices charged in their related party transactions.

So how might the prices that should be charged be determined from a transfer pricing perspective? The pricing between Strategy US and Widget US, Widget US and Widget Canada, and the pricing between Strategy US and Widget Canada, must be at arm’s length. Pricing an inter-company transaction at arm’s length simply means that the intercompany transaction (provision of services by Strategy US to Widget Canada and Widget US or sale of Widgets by Widget US to Widget Canada) should be priced in a manner that reflects pricing that would have occurred between third-parties under sufficiently similar circumstances.

The requirement for arm’s length pricing suggests that intercompany prices should be equivalent to prices that result from negotiations or markets between unrelated buyers and sellers. In practice, there is generally no one correct and unitary arm’s length price, but instead a range of prices that normally reflect the arm’s length pricing concept. Pricing is, of course, constrained by the transfer pricing regulations in the U.S. and in Canada.

More specifically, consider one of the intercompany transactions — sales of

widgets from Widget US to Widget Canada. Functionally speaking, Widget US was determined to be a manufacturer of widgets. As a manufacturer, it procures resources, uses those resources in its production process, and then sells widgets to U.S. third parties and to Widget Canada.

Alternatively, Widget Canada was assumed to be a routine distributor, simply fulfilling Canadian customer orders with their demand for widgets, and in doing so, purchasing the widgets directly from Widget US. Per the transfer pricing regulations in the U.S. and Canada, the transfer pricing analysis might look for similar third-party Canadian distributors to see what they earn — third-party distributors (functionally comparable to Widget Canada) that are routine in their operations.⁴

The arm’s length operating margin for a set of sufficiently comparable third-party Canadian distributors may then be used to establish the pricing between Widget US and Widget Canada, by testing whether the prices left Widget Canada with a normal level of profits. An alternative method might be to compare the prices Widget US charges its third-party customers to the prices it charges to Widget Canada.

The provision of services by Strategy US would be potentially evaluated in a similar manner — looking for either internal comparables or to the market in general to collect information regarding third-party pricing or earnings.

From an operational perspective, the hypothetical widget company would price its intercompany goods and services in an arm’s length manner, but also in a way that optimizes its cash, tax and operational objectives, within the constraints of the transfer pricing regulations. For example, in this simple example, there are several stakeholders who care a great deal about the transfer pricing policies of the hypothetical firm.

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An Introduction to Transfer Pricing

Continued from page 13



First, the states of California and Florida each want to make certain that it receives a fair share of tax; and the United States and Canada each want to ensure that it is receiving a fair share of tax (taxable income resulting from the company's transfer pricing policies and practices).

Consequently, any transfer pricing regime put forth by the hypothetical widget company would need to reflect the transfer pricing rules, regulations and convention of each of these tax jurisdictions.

Moving away from the example, and taking a more high-level and policy-focused perspective, the international consequences surrounding transfer pricing are great — each and every country (or alternatively, each and every tax jurisdiction) has as at least one of its primary objectives to protect its tax base. But it also needs to do so in an equitable manner — as not doing so can have future consequences, e.g., loss of potential future investment.

One of the primary goals of policy-makers around the world is to attract investment into their countries, and in doing so, increase their tax bases in the long run. Equally important is for each country to

protect its existing investments, i.e., to prevent the erosion of its existing tax base. Transfer pricing has implications for both.

Without formal transfer pricing regulations in the U.S. for instance, firms could optimize their cash, tax and operational objectives without any regard to the amount of income left in the U.S. — transfer pricing enforcement helps the U.S. protect its tax base. However, with regard to additional investment, the U.S. doesn't want to make it too difficult for firms to make global operational decisions, and thus the transfer pricing regulations in place cannot be too aggressive, or further future investment could subside as a result. ■

Endnotes

1. The parent and the subsidiaries may have different tax statuses as well, e.g., nonprofit versus profit.
2. In the typical fact pattern, Strategy US would also be the economic and legal owner of the company's intangible property, which also has transfer pricing implications. However, the transfer pricing implications of intangible property is outside the scope of this example.
3. In practice this is a much more complicated task. For instance, certain types of services cannot be charged, such as shareholder (stewardship) related services or services that do not provide a direct benefit to the service recipient. There is also detailed guidance, in the U.S. for instance, regarding the characterization of the allocable cost pool and the reasonableness of any allocable cost pool allocation in general.
4. Ultimately the approach selected to analyze the intercompany transaction under review would be based on reference to the appropriate sections of the U.S. and Canadian transfer pricing regulations.

Authors' note: The focus of this article is to introduce the concept and practice of transfer pricing in general, but in doing so, the extent of this discussion is limited. Transfer pricing is complicated, and the practice of transfer pricing is driven by detailed rules and regulations, to which cannot be described properly and in any great detail in this article.

In the United States, for instance, Internal Revenue Code §482 and Treasury Regulations §1.482 & 1.6662 provide detailed guidance with respect to appropriately evaluating intercompany transactions of many alternative types. The Organization for Economic Co-operation and Development ("OECD") Transfer Pricing Guidelines provide such guidance as well, in addition to many other countries, like the United States, that have their own set of rules or regulations.

2009 International Connections Visits in Zurich

by Daniel Hess, CPCU, ARM, CIB



Daniel Hess, CPCU, ARM, CIB, is the owner and developer of ABRAXAS INSURANCE AG and acts currently as the legal representative of Reliance National Insurance Company (Europe) Ltd. in Switzerland. ABRAXAS INSURANCE AG is also a Lloyd's coverholder. Previously, Hess was general manager for Reliance National Insurance Company (Europe) Ltd. and has had experience working with various insurance, reinsurance and intermediaries. Educated in Switzerland and the United States, Hess received his CPCU designation in October 1989. He is currently president of the CPCU Society's Europe Chapter.

A spring meeting of the CPCU Society's Europe Chapter was held in April 2009 in Zurich, Switzerland, as Zurich is fast becoming the world's insurance and reinsurance powerhouse. During this time frame, we arranged CPCU international connections visits with some of the large local companies. As the CPCU designation is not widely known in Switzerland, we have a considerable task to inform the Swiss insurance field about the CPCU program.

Our first meeting was held with Zurich Insurance Group. In addition to myself in attendance were **Mike Kerner**, global chief underwriting officer, Zurich Financial Services; **Marvin Kelly, CPCU,**

MBA, then CPCU Society president and chairman; **James R. Marks, CPCU, CAE, AIM,** CPCU Society chief executive officer; **Joel A. Appelbaum, CPCU, ARM, AIS,** member of the CPCU Society Board of Directors and chief analytics officer with Zurich Direct Underwriters in Overland, Kan. (USA).

We took the opportunity to discuss current issues in the CPCU Society with Kerner. We also tried to find out how we can support the educational needs of Zurich Insurance Group and how Zurich in turn can support the CPCU Society. Kerner agreed to continue Zurich's support of the CPCU Society and its members. He has since taken on new challenges within the company, and we will hold a follow-up meeting with the new person in charge of education at Zurich Insurance Group.

Our second meeting was held with Kessler Consulting Inc., the largest Swiss insurance broker. Kessler is also the Marsh affiliate in Switzerland. As Marsh is already a significant sponsor of the CPCU Society in the U.S., we hope to replicate the same support in Switzerland. We met with **Robert Kessler**, CEO, and **Esther Spiess**, head of Human Resources. Kelly, Marks and I represented the CPCU Society.

The five of us discussed the fact that one of the hurdles a Swiss person has

to overcome is the fact that he or she only has a self-study option as regards professional development, as there are usually not enough people taking the same courses to warrant a formal class. The Europe Chapter, however, furnishes a mentor to those students who are interested in taking advantage of this resource.

In our third meeting, we met with Swiss Re, including **Rita Löttscher** and **Gerhard Felder**, who work for the Swiss Re Academy, an in-house center for continuing education and specific insurance courses. (Note: During a previous Connections visit, held in 2005, the CPCU Society shared with Swiss Re that in the U.S. Swiss Re is a proud sponsor of CPCU and a goal is to replicate this support in Europe at the home office in Zurich.)

As a coincidence, Löttscher is also on the board of the Insurance Institute of Switzerland, which is furthering its educational initiative by offering a number of Insurance Institute of America courses, such as the Associate in Risk Management (ARM) and the Associate in Underwriting (AU).

The meeting with Swiss Re was followed by a lunch at the world famous "K1 Restaurant" on the first floor of its building, where the view over the lake is as phenomenal as the cuisine. ■



Partnering with a Russian University to Promote Education

by Cinda L. Hartman, CPCU, CLU



Cinda L. Hartman, CPCU, CLU, founded her own insurance agency, Hartman & Lally Insurers Inc., in Berwick, Pa., in 1976. Since its inception, the firm has acquired seven other insurance agencies. Hartman is a course instructor for the CPCU Society's Northeastern Pennsylvania Chapter and a guest lecturer at the Insurance Institute of St. Petersburg University in St. Petersburg, Russia.

Put simply, Russia is the world's biggest frontier, bordering the Far East, Middle East and Europe. Russia's size alone commands world respect, notwithstanding its key geopolitical position. The Russian economy, however, faces tremendous challenges of both modernizing itself and dealing with the capital freeze in the current global economy. I am pleased to report that the CPCU Society is assisting Russia to progress on both fronts!

My first visit to Russia was in 1993, as part of a risk management delegation sponsored by People to People, an organization that bridges cultural and political borders through education and exchange, to the former Soviet Union and the newly Independent States. The CPCU Society's current Immediate Past President and Chairman **Marvin Kelly, CPCU, MBA**, was part of this delegation.

It was during this two-week stint that Marvin and I began what was to become a long-term business endeavor to spread the word about the educational opportunities available from the CPCU Society and the American Institute for CPCU and the Insurance Institute of America (the Institutes).

During the intervening years, I have maintained personal contact and interaction with my new Russian friends. I have traveled back to Russia five more times, and hosted both individual Russian visitors in the U.S. and sponsored groups of students and professionals. I introduced them to the U.S. system of business and insurance delivery and service, as well as connected them to counterparts in our country.

My work has been primarily with the Economic Institute of the University of St. Petersburg in the former city of Leningrad, now known by its historic name of St. Petersburg. For the last 16 years, I have developed a close

relationship with the three individuals who founded the Economic Institute, **Igor Fomin, Natalia Kouznetsova and Galina Chernova**. As students at the University, they studied under renowned Russian professor **Sergei I. Tulpanov** and were disciples of global economics.

Tulpanov initially opened the Economic Institute as the Department of Modern Capitalism, but his economic views were not appreciated in the days of communism. He was frequently arrested and interrogated, and at one point even sent to Siberia. However, because Tulpanov was a decorated colonel and a hero of the revolution and of World War II, his popularity and prominence protected him from permanent exile or death. When he ultimately died in 1984, his books and papers were burned by the communists.

As soon as they could when Communism gave way, Fomin, Kouznetsova and Chernova encouraged the University of St. Petersburg to allow them to reopen the Economic Institute for the purpose of educating students in global economics, banking and the world of insurance for newfound capitalistic needs in Russia.

It is the legacy of my career that I was there from the beginning, working with them, teaching the Insurance Institute of America's Program in General Insurance (INS) and CPCU-type courses at the Institute, and engaging students with hands-on study. Moreover, I have strived for the opportunity to open the CPCU curriculum to these students in St. Petersburg but have been frustrated by the lack of funding at the University in Russia for supporting an ongoing course of study in CPCU. Other obstacles have included language barriers and the specific aim of CPCU courses toward American insurance issues.

However, due to the forward-thinking of our colleagues at the Institutes in Malvern, and the dedication of



The Bronze Horseman Statue of Peter the Great in St. Petersburg, Russia.

professionals such as my supportive U.S. friend [Anthony Biacchi, CPCU, ARP](#), an assistant vice president of assessments at the Institutes, we have achieved a breakthrough. The Institutes developed a new online approach to technical insurance education, COMET Online Learning, which although does not yet lead to a professional designation because it is in its nascent stages, nevertheless provides a course of study accessible globally. And COMET courses are not U.S. specific and appeal to the new global insurance profession.

In Russia, after reviewing the COMET curriculum, Igor Fomin approached one of his graduate students about taking a COMET Online Learning course on insurance fraud prevention. The student was eager to be our “pilot project” in this new method of globalizing our CPCU educational endeavors. Fortunately, there basically is no language barrier in this current generation of Russian university students, who have grown up with the assumption that fluency in English is vital to their professional development.

The problem of affordability, however, remained an obstacle. Even though the COMET curriculum is affordable from our point of view, the Economic Institute in St. Petersburg, as well as the University of St. Petersburg, did not have the cushion of funding to cover such continued educational studies for students. And the students and their families were not in a position to self-fund a course that, although part of a portfolio of educational opportunities, did not lead to an immediate degree. When Russia was democratized, academics, including teachers, professionals and the like, were not included in the newfound wealth of the oligarchs.

That being said, I approached my local CPCU Society chapter, the Northeastern Pennsylvania Chapter, about this funding issue. All chapter members had been aware for decades of my work with the Russians, and many had been gracious hosts to visiting Russian professionals and graduate students.

The Northeastern Pennsylvania Chapter eagerly embraced the opportunity to be part of history by helping Russian graduate students assimilate into the global insurance profession by studying via COMET online. The chapter agreed to pay for one course per semester, which translates into sponsoring two COMET courses online per year for two Russian students.

COMET Online Learning has provided a vehicle to teach global insurance principles to Russian students and to integrate the high standards and principles espoused by my fellow CPCUs into a global insurance community. We had an opportunity to help Russia’s insurance professionals step off with the right foot, as they entered the dazzling and confusing world of insurance.

And what about our COMET pilot student [Anna Arkhipova](#)? Well, she successfully completed the online COMET course. Of her experience Arkhipova commented, “I’d like to thank you for the opportunity to study Insurance. I passed the final tests, and I’m really happy about the course. It helped me a lot with my degree thesis.”

Going forward, when the graduates of the University of St. Petersburg’s Economic Institute enter the workforce, their understanding of insurance will be modeled on the ethical and forward-thinking vision of those of us who make up the CPCU Society. As Russia has a lagging economy, shrinking population and troubled financial sector, perhaps the work of CPCUs can positively influence its recovery efforts. ■

International Insurance Interest Group Web Site Revamped ... <http://international.cpcusociety.org>

by Mickey Brown, CPCU, ARM

“Whomever you are, no matter where you are located, welcome to the International Insurance Interest Group’s newly revamped Web site! Learn more about international issues and our interest group, see our Visibility efforts, find out more about Membership services, the Educational tools at your disposal or just about the CPCU Society and the coveted CPCU designation. There is a wealth of information out there in this big world, and we have just started to begin to harness it. Go ahead — dare to learn!”

— Anthony Fienberg, CPCU, ARE, RPLU
Chairman, International Insurance Interest Group

The new International Insurance Interest Group Web site presents an expanded offering of news, information and resources, accessible to both its CPCU members and the general public.

The simplified menu structure allows the user to target more easily the subject matter that he or she is seeking, based on five general areas of interest, as follows:

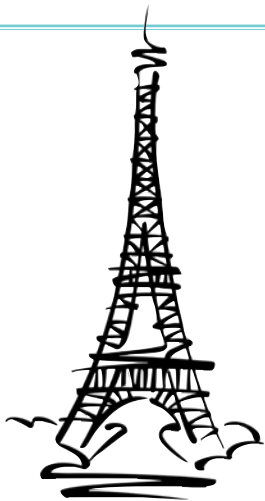


- About International Insurance
- Visibility
- Members
- Education (Education menu detailed in Figure 1.)
- About the CPCU Society

Discover the wealth of opportunity by visiting the site, as you can click into common pages containing multiple menus to facilitate access points, which illustrate that CPCUs make it a “small world after all.” Check us out!

Figure 1 — Education Menu Set Up

- Seminars/Webinars/Presentations
- Center for Leadership
- Online Library
- *International Perspectives*
- International Resources
 - ◆ World Time
 - ◆ Currency Converter
 - ◆ World Map — Time Zones
 - ◆ Translations
 - ◆ AXCO
 - ◆ International Quotes
 - ◆ Travel/Cultural Information
 - ◆ International Links
 - ◆ International News
 - ◆ Travel Announcements
- International Insurance Course



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Questions? Contact Dick Vanderbosch, CPCU, at (970) 663-3357 or rbosch@aol.com or visit <http://seniorresource.cpcusociety.org>.

Leadership Legacies ... The Give and Take of Generations

by James L. Britt, CPCU



James L. Britt, CPCU, is the managing partner of Britt Leadership Partners LLC. The firm is based in Charlotte, where he resides. Britt serves as a coach, consultant and speaker. He was the 2007–2008 CPCU Society president and chairman and is the author of *Building Leaders One On One*, published by the Society in 2007. Before launching his consulting practice in 2009, Britt had an extended tenure as a managing director in a global brokerage, spent several years in the regional brokerage arena and served his formative professional years with a major underwriter. He may be contacted at jlbb@brittleadership.com.

Setting the Stage ... 'Old' and 'New'

Much has been preached in print and from the podium about the dynamics of generational change we are now experiencing. I must profess that I filter the pundits' and social scientists' opinions and statistics through that of a leading-edge baby boomer. Therefore, I know readers of this epistle will filter my commentary through their own generational (or sub-generational) ones. Have at it! That is the wonderful process of reflection and discussion that makes our professional business enterprises so interesting.

With my bias noted, and inviting yours, let me share portions of a wonderful letter written within the past year by **Julian Emerson**, chairman of The Chi Psi Educational Trust Inc. This institution funds leadership development for undergraduates on college campuses who are members of the Chi Psi Fraternity. I was blessed to have that fraternal experience during my days in residence in the University of North Carolina–Chapel Hill. Emerson, in writing to the graduate brotherhood, offered some personal perspectives as premise for the need to accelerate leadership training funding for the near horizon.

Two passages from the letter resonated with me:

"Our colleges and universities are now completely enrolled with undergraduates from the millennial generation. These students bring a dramatic new paradigm to our campuses. They are the most academically prepared students ever. They value ethics, experiential learning, social justice, community service and structure. They are highly motivated, set goals and have a high sense of self-worth."

"Despite the holistic persona of these students, they arrive at the institution's door with challenges. Technology has made communication more frequent, but stymied interpersonal skills. Shifting social mores have weakened adherence to etiquette fundamentals. Over-programmed childhoods have led to insecurities with decision making. Parental oversight now transcends the collegiate experience and the choices made by our student."



I believe Emerson has appropriately summarized the post-adolescent that is migrating through higher education and preparing to enter our workforce. Realize that these students will flow, over time, into our roles. They will form an eventual leadership generation in the property-casualty insurance business. How do we adjust our behavior to assure that these emerging professionals, and the leadership potential within, are appropriately equipped to take the reins beyond our foreseeable horizon?

Transferring Legacies ... Then and Now

We now have a multigenerational hierarchy of experienced professionals active in our industry: traditionals, boomers, Gen Xers and Millennials. And we all are composites of legacies imparted by great teachers, coaches, mentors and role models. Accepting their gifts of experience, knowledge and wisdom adds these treasured nuggets to our persona.

Endeavoring to accept their best practices and incorporate these elements into our own personality and behavior, we balanced all with our own intellect and emotional discipline. Some pieces did not fit, but many are permanently embedded in who we are. We are living mosaics of many gifted and generous professionals. Some of us are relatively complete, while others are still a work in progress. All of us need to continue to grow.

Questions remain for those of us who have been fortunate enough to build a warehouse of professional and leadership skills:

- Have we intentionally imparted legacy gifts to those following us?

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Leadership Legacies ... The Give and Take of Generations

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- Do we know how to reach generational partitions with which we (or they) create social friction rather than harmony?
- Are we positioned with time and space to act now while the young fruit is ready to be ripened?

CPCUs ... Prepared Professionals ... Act Now!

If you have already established a pattern of professional sharing, dig a bit deeper and engage a broader cadre of potential stars. If your organization needs a champion to re-emphasize structured teaching, coaching or mentoring, be that special leader who facilitates opportunity for CPCUs to be the best on a bigger playing field. Look for role models to identify for others as exemplary best-practices leaders.

As we gather from time to time, whether it's locally, nationally or in the global arena, let's celebrate our giving to oncoming leaders and, yes, celebrate their willingness to take our legacies and mold these pieces of our professional personas into theirs. They will be their own people, but let it be said that we positioned them to be more able and more willing to serve because we found the time and means to serve them.

The time is now and the storehouse of legacies abounds in the ranks of CPCUs throughout the U.S., in fact the world. Be bold in your work and confident in successful outcomes. ■

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