

Editorial - Special issue of The Geneva Papers in memory of Orio Giarini

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This special issue of The Geneva Papers is published in memory of Orio Giarini, who died on 28 February 2020. Orio, along with Raymond Barre, founded in 1976 The Geneva Papers as a way to support and encourage research in the economics of risk and insurance, at a time where research in the field was still nascent.

Orio had grasped very early the importance of managing risks for the benefit of economic development and that insurance would play a major role in that respect. With this conviction in mind, Orio shaped the initial activities of The Geneva Association and laid the foundations for stimulating academic research in the field of insurance economics. He had understood that educating students and scholars in the economics of risk and insurance would improve the image of insurance in the general public. He created in 1973 the European Group of Insurance Economists, initially a gathering of insurance professors to discuss research and teaching in insurance, which rapidly became one of the most reputed academic circles in insurance economics. He launched many research projects to better understand the economic relevance of insurance, edited the Geneva Papers, invited the best-known economists to contribute to the activities of The Geneva Association, , for instance by launching the series of Annual Lectures.

Orio paved the way to the development of insurance economics and in recognition to his path-breaking contribution to the field, we invited articles from various researchers, and from former and current members of The Geneva Association, who knew Orio well and benefitted from his intellectual contribution.

The special issue consists of two sections. The first section contains original pieces of research linked either to insurance or to risk and echoing Orio's appetite in research. The second section is composed of testimonies to Orio's role, as Secretary General of The Geneva Association, in shaping fields of studies in risk and insurance as well as personal careers. It also shows the intellectual interest of Orio in a myriad of other topics than insurance.

The first paper of the first section by David Cummins, Georges Dionne, Robert Gagné, and Abdelhakim Nouira, addresses the function and role of reinsurance for insurers. The authors analyse empirically the costs and the benefits of reinsurance for a sample of U.S. property-liability insurers. They show that the purchase of reinsurance significantly increases insurers' costs but significantly reduces the volatility of the loss ratio. This would mean that by

purchasing reinsurance, insurers accept to pay higher costs of insurance production to reduce their underwriting risk.

The paper by Peter Zweifel proposes a practical way to bridge the gap between risk (where probabilities of occurrence are fully known) and uncertainty (where these probabilities are unknown). It applies it to an insurance company which considers launching an innovative product but cannot gauge precisely the likelihood of a favorable reception by the market, nor that of a competitor launching its own innovation, nor that of approval by the regulatory authority. He uses the Linear Partial Information theory to systematically exploit the existence of imprecise information and provides advices on the best decision to follow for the insurance company.

The paper by Christian Gollier addresses how the role of habit persistence affects risky decisions such as the demand for insurance and risky asset. This is an important question as when consumers build habits of consumption, they face the risk of having to reduce their consumption below their habit level in adverse situations, and then should be more risk averse. Using a two-period portfolio choice model, Christian shows that adding habit persistence can substantially reduce the aversion to risk through a timediversifying risks channel. This result goes against the widespread idea in the literature that habit persistence can resolve the equity premium puzzle.

The paper by Roland Eisen investigates a topic dear to Orio, vulnerability. According to Orio, vulnerability comes with two risks, human-made risks and natural risks, which are both growing in dimension and increasingly interrelated. This paper discusses the role of mutual insurance to control such vulnerability. In particular, it addresses the advantages of mutual insurance when risks are large, probabilities uncertain or unknown, and events interrelated or correlated.

The paper by Jean-François Outreville provides a comprehensive analysis of the relation between foreign direct investment (FDI) and insurance. Only a few papers have examined the potential role of FDI in insurance services. Some papers have explained the factors contributing to foreign entry in a single country or the determinants of FDI-preferred locations. Other papers have examined the impact of foreign entry on the host country sector or the relationship to insurance development and insurance market activities. The purpose of this paper is to review the empirical literature on the relationship between FDI and insurance services and to propose avenues for future research in the field.

The paper by Eric Briys reflects on the intellectual work and interest of Orio by offering an insightful journey on the topics of insurance, growth and the service economy. The paper makes a link between Orio's ideas and the notions of ergodicity and path-dependence whose consequences are still not yet fully understood in economics. Ergodicity and path-dependence are indeed critical when one aims at bringing more precision to soul and more soul to precision, what Orio was looking for.

The paper by Patrick Liedtke analyses the implications of the COVID-19 crisis on insurance investing by considering three categories of investment for insurance companies. First, it looks at the impact of the severe drawdown in the equity markets on a typical insurer's balance sheet. Second, it analyses the effects of the dislocations in fixed income and the impact of downgrades on insurers' solvency capital. It finally studies alternative investments with particular focus on private markets. The paper highlights the growing sophistication and complexity of investments

for insurers and calls for companies as well as regulators to wisely balance between policyholder protection interests and market efficiency's goals.

In the second section, devoted to testimonies to Orio, the first paper by Walter Kielholz provides a thorough picture of the history of The Geneva Association, and how, under the lead of Orio, The Geneva Association initiated innovative fields of research related to insurance such as vulnerabilities, risk, old-age pensions and welfare. The paper also addresses the success and failures of The Geneva Association. It concludes with current and future insurance challenges and opportunities for The Geneva Association in a changing risk landscape making its function even more needed.

The four last papers are personal memories of Orio stressing his intellectual curiosity and contributions, and the role he played on the own research and professional trajectories of the authors.

Henri Loubergé explains the influence Orio had in his academic career, both as a mentor and colleague. He comments on their joint research works and provides a few stories from when he was the vice secretary general of The Geneva Association supporting Orio in the start of The Geneva Association and sharing the same office.

The text by Neil Doherty offers a reflection on the works and impact of Orio from an academic perspective. It shows how Orio understood the benefit that academic research could bring to The Geneva Association, and how Orio also encouraged academics towards new avenues of risk management research. Orio considered insurance as one pillar to address the risks people face over their lifetime but insisted that other pillars should be studied such as savings, social security and labor environment.

The text by Walter Stahel is a tribute to Orio as both a great intellectual and a friend. It presents some of the many scientific collaborations Orio developed so as to better understand the effect of risks on society and of insurance in dealing with these risks. It also recognizes the intellectual curiosity of Orio and how smart he was.

Finally, Geneviève Reday Mulvey pays homage to Orio and his work on the fourth pillar as a holistic solution to longevity risk and on the notion of a counter-aging society where ageing should be seen as an opportunity and not a problem. Geneviève retraces the development of the fourth pillar programme that she headed at The Geneva Association and how it has influenced the political and public debate on old-age income.

The papers in this issue inevitably refer to just a few of the many issues Orio was interested in. Nevertheless, they reflect the personality of Orio and we deem to hope that he would have liked reading them.