

## THE GENEVA ASSOCIATION

Special issue of The Geneva Papers  
in memory of  
Dr Orio Giarini

Remembering  
Dr Orio Giarini (1936-2020)  
Secretary General 1973-2000



A new special issue of The Geneva Papers on risk and insurance is dedicated to Dr Orio Giarini – founder of The Geneva Association – who died on 28 February 2020. This article is by **Professor Christophe Courbage**.



### Dr Orio Giarini and The Geneva Association

As founder of the organisation, Dr Orio Giarini shaped the initial activities of The Geneva Association (GA) and laid the foundations for stimulating academic research in the field of insurance economics at a time where research in the area was still nascent. As well as founding the GA, in 1973 he created the European Group of Insurance Economists, which rapidly became one of the most reputed academic circles in insurance economics. He also launched many research projects to better understand the economic relevance of insurance, co-founded and edited The Geneva Papers, and invited the best-known economists to contribute to the activities of the GA.

To recognise Dr Giarini's contributions to the field, various researchers and former members of the GA who knew him well were invited to write articles for a special issue in his memory.

Five tribute articles pay testimony to Dr Giarini's role in shaping fields of study in risk and insurance.

In his contribution, Mr Walter Kielholz delves into the history of the GA and explains how, under Dr Giarini's lead, it initiated innovative fields of research related to insurance. Successes and failures of the GA are also highlighted. He concludes with current and future challenges and opportunities for both the GA and insurance more broadly in today's changing risk landscape, emphasising that research-based dialogue is more important than ever.

Professor Henri Loubergé pays testimony to Dr Giarini's influence on his academic career, both as a mentor and a colleague. He gives an insight into their joint research works and provides stories from his time as vice secretary general of the GA, when he shared an office with Dr Giarini and supported him in the early years of the association.

Looking at Dr Giarini's work and impact from an academic perspective, Neil Doherty shows how Dr Giarini understood the benefits that academic research could bring to the GA and how he encouraged academics to explore new avenues of risk management research. Dr Giarini considered insurance to be just one of the pillars that should be used to address the risks people face over their lifetime, and insisted that other pillars, such as savings, social security and the labour environment, should also be studied.

Professor Walter Stahel's pays tribute to Dr Giarini as both a great intellectual and a friend. He presents some of the many scientific collaborations Dr Giarini developed to better understand the effect of risks on society and of insurance in dealing with these risks, as well as recognising Dr Giarini's intellectual curiosity and intelligence.

Finally, Ms Geneviève Reday-Mulvey pays homage to Dr Giarini and his work on the fourth pillar as a holistic solution to longevity risk and the notion of a counter-ageing society. She retraces the development of the GA's Four Pillars programme and how it has influenced the political and public debate on old-age income.

### Honouring Dr Giarini's intellectual curiosity

In addition to the tribute articles, the issue includes seven original pieces of research linked to insurance or risk, which echo Dr Giarini's research appetite.

Although purchasing reinsurance reduces insurers' insolvency risk, transferring risk to reinsurers is expensive. Dr David Cummins, Professor Georges Dionne, Professor Robert Gagné and Mr Abdelhakim Nouria analyse the cost and benefits of reinsurance in their paper. Using a sample of US property-liability insurers, they show that the purchase of reinsurance significantly increases insurers' costs but significantly reduces the volatility of the loss ratio. By purchasing reinsurance, insurers therefore accept to pay higher costs of insurance production to reduce their underwriting risk.

Professor Peter Zweifel's article embraces Dr Giarini's inclination to 'think outside the box' by proposing a practical way to bridge the gap between risk (where probabilities of occurrence are fully known) and uncertainty (where these probabilities are unknown). He applies this to an insurance company that considers launching an innovative product but cannot gauge precisely the likelihood of a favourable reception by the market, that of a competitor launching its own innovation, or the chance of obtaining approval from the regulatory authority. Using Linear Partial Information theory to systematically exploit the existence of imprecise information, he provides advice on the best decision for the insurance company.

Mr Christian Gollier addresses the important question of how habit persistence affects the demand for insurance and risky assets. Faced with the risk of having to reduce their consumption below their habit level in adverse situations, customers should be more risk averse. Using a two-period portfolio choice model, Mr Gollier shows that adding habit persistence can substantially reduce the aversion to risk through a time-diversifying risks channel. This result goes against the widespread idea in the literature that habit persistence can resolve the equity premium puzzle.

In his paper, Mr Roland Eisen investigates vulnerability, a topic that was very dear to Dr Giarini. According to Dr Giarini, vulnerability comes with two types of risk, human-made and natural, which are both growing in dimension and are increasingly interrelated. The paper discusses the role of mutual insurance in controlling such vulnerability, in particular addressing the advantages of mutual insurance when risks are large, probabilities uncertain or unknown, and events interrelated or correlated.

To date, only a few papers in the literature have examined the potential role of foreign direct investment (FDI) in insurance services. This is the focus of Professor

Jean-François Outreville's article. Though the positive impact of FDI on economic growth is a commonly accepted claim, its impacts on financial intermediation and the development of financial markets are contested. He finds that there is too little research on the relationship between FDI and insurance activities to draw any definite conclusions, and suggests that further analysis should look at the role of financial institutions with regards to governance, legal frameworks and respect for the property rights of private investors.

Dr Eric Briys reflects on Dr Giarini's intellectual work and interests by offering an insightful journey on the topics of insurance, growth and the service economy. The paper makes a link between Dr Giarini'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, which was what Dr Giarini was looking for.

The implications of COVID-19 on insurance investing are the focus of Mr Patrick Liedtke's research article. He first looks at the impact of the severe downturn in the equity markets on a typical insurer's balance sheet, goes on to analyse the effects of the dislocations in fixed income and the impact of downgrades on insurers' solvency capital, and 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 and regulators to wisely balance policyholder protection interests with market efficiency goals. ■

Professor Christophe Courbage is editor-in-chief of The Geneva Papers and professor of international risk management at the Geneva School of Business Administration (HES-SO).

