Newsletter

THE GENEVA GROUP OF
RISK AND INSURANCE ECONOMISTS

ASSOCIATION INTERNATIONALE POUR L'ETUDE DE L'ECONOMIE DE L'ASSURANCE « Association de Genève »
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EIGHTH SEMINAR OF THE EUROPEAN GROUP OF RISK AND INSURANCE ECONOMISTS

The annual meeting of the European Group of Risk and Insurance Economists was held this year on 23rd to 25th September at the University of Cologne, in the Institute for Insurance Science.

Professor Dieter FARNY, the Director of the Institute, welcomed the thirty-five participants who represented ten European countries, Canada

and the United States, and among whom nine persons attended the meeting for the first time.

Nine papers were presented at the seminar, which was successively moderated by Professor FARNY, Professor HALLER and Professor KARTEN. The programme also included three concurrent workshops dealing respectively with: *Statistics for Research in Risk and Insurance, Academic Instruction in Risk and Insurance,* and *The Nationalization of the Insurance Industry.*

The first paper in the programme was based on the findings of a report prepared for the Geneva Association by Professors KESSLER and STRAUSS-KAHN from the University of Paris-Nanterre. It dealt with *The Future of Capitalization in France* and stressed the important role of group insurance as a mean to increase long-term saving in this country.

Professors Norma LARSEN and August RALSTON, both from the University of Southern California, presented the second paper on *Optimum Retirement Age.* This paper focused the attention on the demand side (demand for labor) and showed the misallocation of resources which may be associated with a mandatory retirement age.

The third paper, by Professor Neil DOHERTY (University of Illinois), dealt with insurance capacity cycles. It developed the idea that the apparently cyclical nature of observed insurance profits might be due to a stepped adjustment process toward a declining level of long-term equilibrium profit.

Dr. Peter ZWEIFEL, from the University of Zurich, presented his paper on *Inflation in the Health Care Sector and the Demand for Insurance.* He employed a comprehensive model for predicting the likely reaction of the insured to an increase in prices in the health care sector, depending upon whether they subjectively conceive of themselves as good or bad health risks.

Dr. Gordon DICKSON (Glasgow College of Technology) presented the results of his paper, *A Comparison of Attitudes Towards Risk Among Business Managers.* He showed that risk managers are far more sensitive than non-risk managers to a chance of financial loss, but that both groups of managers tend to display the same attitude towards risk when financial profit is at stake. Rather than resulting in a contempt for loss, the risk manager familiarity with loss producing events would seem to have led them to a far higher degree of caution, he concluded.

The sixth paper, presented by Dr. Bernd KALUZA (University of Mannheim), dealt with *Empirical Goal Research in Insurance Companies.* The results, based on an analysis of goal systems in German insurance companies, demonstrated that the goal "security of the firm" ranks top in the list, followed by goals such as: satisfy the demand for insurance, cover costs, increase sales and assets, increase profits, expand the size of the firm, maintain solvency.

Professor Jean-François OUTREVILLE (Laval University) presented results of his report on *Insurance Instruction in Canadian Universities.* The report brings valuable information on the development of this area of teaching in Canada, where 27 academic institutions now offer 131 courses with insurance content.

The two last papers dealt with problems related to the functioning of insurance markets and to competition in these markets, but their respective approach was different. Professor Roland EISEN, from the Technical University of Munich, presented a theoretical paper with the title *Competition and Regulation in Insurance*, where it was shown that rate regulation in insurance markets can be justified by the necessity to reach a stable equilibrium in spite of asymmetrical information. On the contrary, Professor Peter FRANKLIN (City of London Polytechnic) chose to illustrate his paper on *Competition and Cooperation in Insurance* by a thorough description of the British insurance market and particularly of the Lloyd's system.