Editorial

Geneva Risk and Insurance Review 40th Anniversary Issue

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This year, *The Geneva Papers* is celebrating 40 years of existence. This is a great occasion to look back and see what has been accomplished. In order to help celebrate this 40th anniversary, Palgrave decided to edit a special anniversary issue of *The Geneva Risk and Insurance Review* (GRIR). As the current GRIR co-editors-in-chief, we were asked to select a list of about 10 papers published in the journal to appear in this special issue.

The *Geneva Papers* was split in 1990 into two publications, *The Geneva Papers on Risk and Insurance—Issues and Practice* and *The Geneva Papers on Risk and Insurance Theory*, which in 2005 was renamed *The Geneva Risk and Insurance Review*. A similar exercise of articles' collection has been carried out for the "issues and practice" journal's special anniversary issue and so we have focused on mostly theory-oriented articles in our selection. Indeed, Christophe Courbage, editor-in-chief of the "issues and practice" journal, has written a short history of the overall series of journals starting with *The Geneva Papers* 40 years ago (see URL: www.palgrave-journals.com/gpp/collections/anniversary_collection/editorial.pdf).

Selecting these papers was not an easy task. Of course, we were looking for high-quality and important articles. But it was not obvious what should be the ultimate criteria, and how to define and make trade-offs among these criteria. It was a substantial responsibility to decide which papers should, or should not, appear in a special volume. We admit that we have little legitimacy to do this, and we can hardly avoid biases due to our own research interests and background. But a selection had to be made. Therefore, our selection process should not be taken too seriously. It has necessarily led to a subjective outcome, which should by no means be interpreted as a list of the "best" papers published in the journal.

This being said, the anniversary issue also provides a great opportunity to emphasise the scientific excellence of the journal. Just to illustrate, the journal has published papers by Kenneth Arrow, Jean-Jacques Laffont, Robert Merton, Joseph Stiglitz and the list could go on. Recalling this long tradition of excellence through the publication of a sample of papers is a sufficient reason, we believe, to accept the challenge. We briefly summarise below how we have proceeded in practice for arriving at this list of 10 papers.

First, we selected about 25 papers based on Google Scholar citations together with a list of most viewed articles provided by Palgrave. This was our starting point.

There exist, however, some biases if we only account for citations. Citations accumulate and there is a bias against recent papers. In contrast, readership generally increases over time, and there is a natural tendency to cite contemporary authors and colleagues, so there is also a bias against old papers. Moreover, citations favour subfields with a larger number of researchers, and do not correlate perfectly with quality.

We thus adjusted the initial list according to our subjective estimation of “quality”, and to the “representativeness” of the topics for the journal. These representative topics as we see them include risk preferences, moral hazard, market selection, self-protection, catastrophe insurance, social insurance, non-expected utility theory, risk-sharing instruments, and risk and insurance regulation. Moreover, in selecting representative papers, we should keep in mind that the journal is theory-oriented. Indeed, it usually publishes theoretical papers in the area of risk as they apply to the traditional insurance topics listed above, or sometimes empirical papers that provide some guidance on how to model individual risky choices or insurance markets and institutions. Typically, descriptive papers are not published in the journal. After this adjustment to try to account for these factors, we then ended up with an ordered list of about a dozen of papers.

Finally, we decided to ask for feedback on that list from past editors-in-chief of the journal. They are: Henri Loubergé, Harris Schlesinger, Christian Gollier, Neil Doherty, Louis Eeckhoudt, Keith Crocker, Pierre Picard and Achim Wambach (see Appendix A4). The feedback we received made it clear that we needed to consider an additional aspect. Indeed, the anniversary is an opportunity to show excellence, but also to activate the memory of the journal. We thus have accounted for two additional factors.

First, the journal has a complex history, and the anniversary volume actually offers an opportunity to explain that history. This history helps understand how the journal has been shaped in the early days, how it has evolved by changing its name and focus, how it has built reputation over time and how it is linked to some key institutions and groups of researchers on risk and insurance. Most significantly, the journal has very strong connections to the European Group of Risk and Insurance Economists (EGRIE) (see Appendix A3 for a list of EGRIE Seminars and Keynote Addresses). Therefore, we asked *Henri Loubergé* to provide a short summary of the history of the journal, and he generously accepted. This summary is found as a companion paper in this issue.

Second and relatedly, the feedback from past editors made us realise the benefit of publishing some very early papers of the journal, even though these papers were not part of the initial list. The idea would be to rediscover some “old treasures” that might illustrate the intellectual roots of the journal, and to acknowledge some key early contributors to the field. Moreover, these early papers help illustrate how the journal participated in the development of the field of insurance economics during the 1970s and early 1980s, that is, at the time of the rise of the insurance sector in our economies.

Here is our list of 10 papers (see Appendix A1). The first eight papers illustrate some “classics” in the journal, namely high-quality papers addressing representative issues in risk and insurance. The last two papers are our “old treasures”.

The special issue starts with the paper by *Bruno Jullien, Bernard Salanié and François Salanié* published in 1999. This paper revisits a classical topic in insurance following the seminal contribution of Isaac Ehrlich and Gary Becker, namely self-protection and self-insurance choices. It examines the effect of risk preferences on these choices using a general comparative statics method introduced by Ian Jewitt. This theoretical paper is well cited, and the contribution is largely due to its degree of generality.

The next paper, by *Markus Glaser and Martin Weber* and published in 2007, is the most cited paper of the journal to date. It illustrates the rise of behavioural economics in the field. The focus is on beliefs. It is shown empirically that investors who believe they are above average in terms of investment skills trade more risky assets. The paper emphasises the interest of combining psychological measures and economics data to better understand risky choices.

The paper by *Jean-Charles Rochet*, published in 1991 explores theoretically the rationale for the existence of large social insurance systems, as observed in Europe in the 1990s. The objective is to examine simultaneously the optimal design of income taxation and social insurance schemes. The paper uses a general theoretical setting combining two classical models, Mirlees income taxation and Rothschild-Stiglitz adverse selection models, in which both labour productivity and the probability of illness are private information. Technically, this paper is a precursor of multi-dimensional incentive problem studied later on.

The paper by *Michèle Cohen*, published in 1995, is part of the literature on rank-dependent expected utility models, which was especially active in the 1990s after the early contribution of John Quiggin and the development of prospect theory. The paper is still valuable nowadays as it elegantly characterises the different notions of risk aversion under this class of non-expected utility models.

The paper by *Ray Rees, Hugh Gravelle and Achim Wambach*, published in 1999, examines insurance solvency regulation from a theoretical perspective. It is motivated by the adoption of important solvency regulations by the European Commission in the 1990s. The main theoretical insight is striking: there is no bankruptcy risk at the equilibrium of the game, so no solvency regulation of the insurance sector is necessary. The key ingredient is that insurance demand depends on the solvency risk of the insurer being public information. The analysis thus emphasises the critical role of consumers’ information to justify solvency regulations.

The paper by *Annette Hofmann*, published in 2007, revisits the model of self-protection. The novelty is that self-protection reduces own risks but also reduces the risks of others. Thus, there are positive externalities, and the global level of self-protection is too low in the economy. The main contribution is to show that this inefficiency may be eliminated by an insurance monopoly. This result provides a nice

illustration of a situation in which market power in the insurance sector may be a good thing.

The paper by *Henry Chiu*, published in 2012, derives general theoretical results on the willingness to pay for stochastic improvements, extending early results by Peter Diamond and Joseph Stiglitz. This technical paper received the *SCOR-Geneva Risk and Insurance Review* best paper award in 2013 (see Appendix A.2 for the full list of papers awarded).

The last paper, which was published in 2014, by *Georges Dionne* and *Casey Rothschild*, is the most recent paper in the list. This paper is part of a special issue on “New Developments in the Economics of Insurance Markets with Adverse Selection” and is a synthesis paper about the theory of risk classification. This paper uses a set of canonical insurance models to study the consequences of risk classification with a special emphasis on the tension between efficiency and equity.

We now turn to our two “old treasures” that complete the list. The paper by *Karl Borch* is the oldest paper in the list, published in 1977. This paper provides a theoretical foundation for life insurance motives. It elegantly builds on a simple savings model by considering various borrowing constraints, uncertain future income and longevity and bequest motives. This paper extends seminal contributions by Menahem Yaari in the 1960s.

The paper by *Jacques Drèze*, published in 1979, is a master synthesis of how economic thinking can help understand risk-sharing markets, with a focus on moral hazard and unemployment insurance. The paper discusses insights from important papers and authors of the time, systematically connecting these insights with real-world observations.

We hope that the interested reader will enjoy, or enjoy again, these papers. We also hope that the journal will continue to publish high-quality scientific papers in the future, and in turn contribute to stimulate intellectual activity in the domain of risk and insurance. We naturally consider that this is the main objective of our temporary mandate.

Appendix

A1. List of selected papers in the GRIR 40th anniversary issue

1999—Jullien, Bruno, Salanié, Bernard and Salanié, François, “Should more risk-averse agents exert more effort?”, *The Geneva Papers on Risk and Insurance Theory* 24(1), June 1999.

2007—Glaser, Markus and Weber, Martin, “Overconfidence trading volume”, *The Geneva Risk and Insurance Review* 32(1), June 2007.

1991—Rochet, Jean-Charles, “Incentives, redistribution and social insurance”, *The Geneva Papers on Risk and Insurance Theory* 16(2), December 1991.

1995—Cohen, Michèle D., “Risk-aversion concepts in expected-and non-expected-utility models”, *The Geneva Papers on Risk and Insurance Theory* 20(1), June 1995.

1999—Rees, Ray, Gravelle, Hugh and Wambach, Achim, “Regulation of insurance markets”, *The Geneva Papers on Risk and Insurance Theory* 24(1), June 1999.

2007—Hofmann, Annette, “Internalizing externalities of loss prevention through insurance monopoly: an analysis of interdependent risks”, *The Geneva Risk and Insurance Review* 32(1) June 2007.

2012—Chiu, Henry, “Risk aversion, downside risk aversion and paying for stochastic improvements”, *The Geneva Risk and Insurance Review* 37(1), March 2012.

2014—Dionne, Georges and Rothschild, Casey, “Economics effects of classification bans”, *The Geneva Risk and Insurance Review* 39(2), September 2014.

1977—Borch, Karl, “Optimal life insurance”, *The Geneva Papers on Risk and Insurance* 2(3), October 1977.

1979—Drèze, Jacques H., “Human capital and risk bearing”, *The Geneva Papers on Risk and Insurance* 12(2), June 1979.

A.2 List of SCOR GRIR best paper awards

This award is organised under the supervision of the Chair “Risk Markets and Value Creation” at the Institut d’Economie Industrielle (IDEI) and Dauphine University, sponsored by SCOR and the Fondation du Risque. The selection committee, composed of the editors and associate editors of *The Geneva Risk and Insurance Review*, will choose and reward the best paper published the previous year. The SCOR/*Geneva Risk and Insurance Review* award will be announced during an official ceremony at the EGRIE seminar.

2014—Picard, Pierre and Pinquet, Jean, “Optimal risk financing in large corporations through insurance captives”, *The Geneva Risk and Insurance Review* 38(1), March 2013.

2013—Chiu, Henry, “Risk aversion, downside risk aversion and paying for stochastic improvements”, *The Geneva Risk and Insurance Review* 37(1), March 2012.

2012—Gollier, Christian, “On the underestimation of the precautionary effect in discounting”, *The Geneva Risk and Insurance Review* 36(2), December 2011.

2011—Tennyson, Sharon, “Incentive effects of community rating in insurance markets: evidence from massachusetts automobile insurance”, *The Geneva Risk and Insurance Review* 35(1), June 2010.

2010—Quiggin, John and Chambers, Robert G., “Bargaining power and efficiency in insurance contracts”, *The Geneva Risk and Insurance Review* 34(1), June 2009.

2009—Crocker, Keith and Snow, Arthur, “Background risk and the performance of insurance markets under adverse selection”, *The Geneva Risk and Insurance Review* 33(2), December 2008.

2008—Glaser, Markus and Weber, Martin, “Overconfidence and trading volume”, *The Geneva Risk and Insurance Review* 32(1), June 2007.

A.3 List of EGRIE seminars and keynote addresses (1989–2014)

41st Seminar, St. Gallen, 15–17 September 2014

26th Geneva Risk Economics lecture by Harris Schlesinger on “Lattice and lotteries in apportioning risk”.

40th Seminar, Paris, 16–18 September 2013

25th Geneva Risk Economics lecture by Miles Kimball on “The effect of uncertainty on optimal control models in the neighborhood of a steady state”.

39th Seminar, Palma de Mallorca, 17–19 September 2012

24th Geneva Risk Economics lecture by Neil Doherty on “Risk and the endogenous economist: Some comparisons of the treatment of risk in physics and economics”.

38th Seminar, Vienna, 19–21 September 2011

23rd Geneva Risk Economics lecture by Louis Eeckhoudt on “Beyond risk aversion: Why, how and what is next?”

37th Seminar, Singapore, 25–29 July 2010, as part of the 2nd World Risk and Insurance Economics Congress

22nd Geneva Risk Economics lecture by Christian Gollier on “The economics of uncertain climate change: the problem of the discount rate”.

36th Seminar, Bergen (Norway), 21–23 September 2009

21st Geneva Risk Economics lecture by Agnar Sandmo on “Uncertainty in the theory of public finance”.

35th Seminar, Toulouse (France), 15–17 September 2008

20th Geneva Risk Economics lecture by John Campbell on “What are the risks of long-term government bonds”.

34th Seminar, Cologne (Germany), 17–19 September 2007

19th Geneva Risk Economics lecture by Edi Karni on “On optimal insurance in the presence of moral hazard”.

33rd Seminar, Barcelona (Spain), 18–20 September 2006

18th Geneva Risk Economics lecture by Martin Weber on “Biased probability judgements—Relevance for economics?”

32nd Seminar, Salt Lake City (USA), 7–11 August 2005, as part of the World Risk and Insurance Economics Congress.

17th Geneva Risk Economics lecture by Paul Embrechts on “Bounding risk measures for portfolios with known marginal risks”.

- 31st Seminar, Marseille (France), 20–22 September 2004
- 16th Geneva Risk Economics lecture by David Cummins on “Securitization of life insurance assets and liabilities”.
- 30th Seminar, Zurich (Switzerland), 15–17 September 2003
- 15th Geneva Risk Economics lecture by Kenneth Froot on “Brands and market power in insurance”.
- 29th Seminar, Nottingham (UK), 15–18 September 2002
- 14th Geneva Risk Economics lecture by Hans-Werner Sinn on “Weber’s law and the biological evolution of preferences”.
- 28th Seminar, Strasbourg (France), 17–19 September 2001
- 13th Geneva Risk Economics lecture by John Hey on “Experimental economics and the theory of decision-making under risk and uncertainty”.
- 27th Seminar, Rome (Italy), 18–20 September 2000
- 12th Geneva Risk Economics lecture by John Pratt on “Fair-and efficient division”.
- 26th Seminar, Madrid (Spain), 20–21 September 1999
- 11th Geneva Risk Economics lecture by Peter Wakker on “Modern views on risk attitude and their implications for insurance”.
- 25th Seminar, Vienna (Austria), 21–23 September 1998
- 10th Geneva Risk Economics Lecture by Martin Hellwig on “Retirement provision by the private sector: issues for public policy”.
- 24th Seminar, Paris (France), 22–24 September 1997
- 9th Geneva Risk Economics lecture by Christian Gourieroux on “Econometrics of insurance”.
- 23th Seminar, Hanover (Germany), 16–18 September 1996
- 8th Geneva Risk Economics lecture by Michael Rotschild and Joseph Stiglitz on “Competition in insurance markets: 20 years later”.
- 22th Seminar, Geneva (Switzerland), 18–20 September 1995
- 7th Geneva Risk Economics lecture by Marti Subrahmanyam on “The term structure of interest rates: alternative paradigms and implications for financial risk management”.
- 21th Seminar, Toulouse (France), 19–21 September 1994
- 6th Geneva Risk Economics lecture by Mark Machina on “Expected utility and non-expected utility with special application to insurance”.
- 20th Seminar, Rotterdam (Netherlands), 18–20 September 1993
- 5th Geneva Risk Economics lecture by Lutgart Van den Berghe and L. De Wit.
- 19th Seminar, London (UK), 21–23 September 1992
- 4th Geneva Risk Economics lecture by Michael J. Brennan on “Aspects of insurance and intermediation”.
- 18th Seminar, Mons (Belgium), 22–25 September 1991
- 3rd Geneva Risk Economics lecture by J. Meyer on “Beneficial changes in random variables under multiple sources of risk”.

17th Seminar, Vienna (Austria), 17–19 September 1990

2nd Geneva Risk Economics lecture by Elmar Helten on “Versicherungswissenschaft—Zwischen Theoretischem Anspruch und Empirischer Relevanz”.

16th Seminar, Paris (France), 18–20 September 1989

1st Geneva Risk Economics lecture W.K. Viscusi on “Government interventions, biased perceptions and insurance related behaviour”.

A.4 List of GRIR past co-editors-in-chief through time

March 1990: Henri Loubergé, Harris Schlesinger.

June 1995: Christian Gollier, Harris Schlesinger.

June 1998: Neil Doherty, Christian Gollier.

September 2000: Neil Doherty, Louis Eeckhoudt.

June 2001: Keith Crocker, Louis Eeckhoudt.

December 2003: Keith Crocker, Pierre Picard.

June 2009: Keith Crocker, Achim Wambach.

March 2013: Mike Hoy, Achim Wambach.

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