

ICFR INSURANCE FORUM – 25 FEBRUARY 2010

BIBLIOGRAPHY AND SELECTED PAPERS

In connection with the ICFR's Forum on Insurance Regulation, please find below a list of documents related to the questions that we have posed. Bear in mind that this list is not meant to be exhaustive but more designed to give a range of views as well as background information. If you have any difficulty accessing these documents please get in touch with my colleague Arvind Sivaramakrishnan (arvind.sivaramakrishnan@icfr.org). We will also have hard copy of many of these documents available on the day of the event. For some of articles we have provided a short summary.

If when looking through this selected bibliography you think of any research which we have not included but which might be of use, please feel free to let us know and we can make sure that there are copies available on the day. For the purposes of the emerging markets discussion also referenced are papers on the budding industry of "micro-insurance".

1. Arena M "Does Insurance Market Activity Promote Economic Growth? A Cross-Country Study for Industrialized and Developing Countries" World Bank Policy Research Working Paper 4098, December (2006)
This is an interesting paper on the crossover between insurance and economics. The author provides a causal assessment of the insurance market activity (distinguishing particular effects of life and non-life insurance) on economic growth and makes conclusions based on econometric testing. In this context the paper also tests whether insurance market activity complements or is complemented by banking activity and stock market development.
2. Brainard L "What is the role of insurance in economic development" Zurich Government and Industry Affairs thought leadership series (2008)
This is a short article on the role of insurance in economic development conveyed in a non-technical parlance. It draws on some mix of academic literature to describe the different ways in which it enters into the growth profile of an economy. In addition the piece also describes the social role played by the insurance industry in the newly booming "micro insurance" market.
3. Ward D and Zurbruegg R, "Does insurance promote economic growth? Evidence from OECD countries" The Journal of Risk and Insurance, 2000, Vol. 67, No. 4, 489-506
The aim of this article is to advance Outreville's (1990, 1996) work by analyzing the "long- and short-run causal relationships between economic growth and insurance market development" and offers a thorough literature review. This is carried out on a country-by-country basis in order to allow for the scope for the causal relationships to differ in size and direction across countries. Nine leading OECD countries are examined with real GDP used as the measure of economic activity and real total written premiums as a measure of insurance activity. The results from this study do support the view that the relationship between in insurance market development

and economic development do differ across countries. There is a clear need for policy makers to be made aware of this and for future research to verify the reasons for such diversity.

4. Outreville J.F, "The economic significance of insurance markets in developing countries" The Journal of Risk and Insurance, Vol. 57, No. 3 (Sep., 1990), pp. 487-498
This paper explores the link between a country's financial development and insurance market development. The paper suggests that recent empirical evidence indicates that developing countries have a supply-leading causality pattern of development rather than a demand-following pattern. Economic growth can be supply-led and in turn financial development can be demand led through economic growth. This aspect of understanding of the causal chain between insurance and economic growth is still lacking. The main objective of this article is to "investigate empirically the relationship between insurance premiums written in emerging markets and financial development. The research is based on a recent United Nations survey of insurance and reinsurance operations in developing countries".
5. Schich S, "Insurance companies and the financial crisis" OECD Journal of Financial Market Trends. Vol. 2009 Issue 2
This article is a part of a special report on the impact of the financial crisis on the insurance sector. It presents a bird's eye-view of the performance and the role of the insurance sector during the crisis, giving necessary taxonomy wherever required. It zooms into certain financial-like undertakings of the insurance companies, and identifies specific issues related to the role of insurance in the current financial crisis.
6. Skipper H.D. Jr., "Foreign insurers in emerging markets: Issues and concerns" Center for Risk Management and Insurance, Occasional Paper 97-2
This non-technical paper probably follows from a previous paper by the author on "protectionism in the insurance sector" dated 1987. Since that time many countries around the world have undertaken macroeconomic liberalisation programs thus paving way to more foreign investments in their domestic markets. One concern that remains is the appropriate role of foreigners in providing insurance in home markets and this paper focuses on that. It highlights the role of insurance in economic development, and then goes on to present arguments both in favour and against the establishment of foreign insurers.
7. Zheng W, Lin Y, Deng Y, "A comparative study of international insurance markets", The Geneva Papers, 2009, 34, (85-99)
This paper mainly focuses on a revision of our understanding of insurance market growth using traditional indicators, as used in most academic studies. The authors devise a new ratio to measure insurance penetration and use that ratio to compare the state of the insurance industry in different countries. Among the conclusions drawn are, the need for a new benchmark for the assessment of insurance market growth, strategies for market players to follow, optimal growth pattern for emerging market economies etc.

8. “Making insurance markets work for the poor: Micro insurance policy, regulation and supervision; Evidence from five country case studies” The Centre for Financial Regulation and Financial Inclusion (CENFRI) 2009

This report presents an overview of the role of policy, regulation and supervision in the development of microinsurance markets in Colombia, India, the Philippines, South Africa and Uganda. This evidence is then used to extract cross-country lessons for policymakers, regulators and supervisors looking to support the development of microinsurance in their jurisdictions. For the purposes of microinsurance a literature review is referenced (see 15) which may also be of use.

9. Carletti E, Allen F, “Credit risk transfer and contagion” Center for Financial Studies No. 2005/25

This paper is concerned with credit risk transfer. It shows how financial innovation in the form of new credit risk transfer instruments can lead to beneficial diversification in some circumstances but to a fall in welfare through a contagion in others. It illustrates this using a banking-insurance model under different situations of risk viz idiosyncratic and systemic risk. Of course events since articles such as these were published have questioned the systemic risks which have emerged as banks have shifted risk through securitisation to other financial intermediaries.

10. Zou H, Adams MB, “Debt capacity, Cost of debt and Corporate insurance” Journal of Financial and Quantitative Analysis Vol. 43 No. 2 (2008) pp. 433-466

This study contributes to our understanding of the managerial incentives for corporate insurance by focusing on the simultaneous linkages between firms' debt capacity, cost of debt, and the voluntary use of property insurance in the People's Republic of China (PRC). Specifically, it seeks to answer two interrelated questions. “First, do firms' indebtedness and cost of debt motivate the use of insurance? Second, does insurance in turn affect firms' debt capacity and cost of debt?”

11. Paul Klumpes (et al.), “ERM for insurance companies – Adding the investor’s point of view” (2010)

This paper states that a new ERM framework needs to be created that looks beyond the company, and have regard to the risk management needs of the investors, from the point of view of the contributions of the insurance company to the overall risk of portfolio investors. It lays out in detail some issues and new initiatives to provide a more thorough ERM framework and concludes with some recommendations that cater to the specific needs of the investor.

12. Eling M and Schmeiser H, “Insurance and the credit crisis: Impact and ten consequences for risk management and supervision”, The Geneva Papers 2010, 35, pp. 9 – 34

This paper highlights the impact of the credit crisis on insurance companies and derives ten consequences for risk management and regulation. In conclusion it provides an overview of policy recommendations, how these recommendations are related to the crisis, whether there is sufficient evidence, and what concrete

measures for implementation of their recommendations might be. It also provides areas for further research.

13. IMF, "Chapter III: Risk transfer and the insurance industry", Global Financial Stability Report April 2004

This chapter may seem a little dated now but it still provides a good overview of the insurance industry and is divided into market structure and regulatory structure, comparison of different national systems, rating agencies and their role and finally policy conclusions.

OTHER REFERENCES

14. Anton von Rossum, "Regulation and insurance economics" The Geneva Papers (2005) 30, pp. 43-46
15. Dercon S and Kirchberger M with Gunning JW, Platteau J-P, "Literature review on micro insurance", International Labour Organisation (ILO) Microinsurance Innovation Facility, Paper No. 1 (2008)
16. Jean-Claude Trichet, "Financial stability and the insurance sector", The Geneva Reports (2005), 30, pp. 65-71
17. Dingfu W, "New market, New regulation and New prospect – the Chinese perspective", The Geneva Papers, 2006, 31 pp. 17-24
18. Llewellyn DT, "Chapter 12: The global financial crisis: the role of financial innovation" in "Verdict on the crash: Causes and policy implications", Edited by Philip Booth 2009
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21. Harrington SE, "Capital adequacy in insurance and reinsurance" Published in "Capital adequacy beyond Basel: Banking, Securities and Insurance" Oxford University Press 2005
22. European Central Bank (ECB), "The importance of insurance companies for financial stability" Financial Stability Review December 2009
23. Laux C and Leuz C, "Did fair-value accounting contribute to the financial crisis" Center for Financial Studies No.2009/22

24. Bank of England, "Risk transfer between banks and insurance companies and capital markets: an overview", Financial Stability Review December 2001
25. Adams MB, Jia J and Buckle M, "Insurance and ownership structure in India's corporate sector" Swansea University School of Business and Economics Working paper SBE 2009/1
26. Adams MB, Kadar HA and Hardwick P, "The cost efficiency of Takaful insurance companies" Swansea University School of Business and Economics Working paper SBE 2009/5
27. Chakrabarti R, "The asset management industry in India", The Indian Capital Markets Handbook
28. CEIOPS, "Lessons learned from the crisis: Solvency II and beyond", CEIOPS-SEC-107/08, March 2009

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