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The History of The Geneva Association

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In his apartment in Rue de Bagatelle, Paris, Raymond Barre said to me, *"But my dear Sir, we are all centre left!";* his comment astounded me. I had just told him that I was closely acquainted with Altiero Spinelli, a member of the European Community Commission in Brussels, during his mandate as Vice President. Raymond Barre then proceeded to praise the intelligence of the Italian Commissioner who had founded the European Federalist Movement in Italy and who, before the War, being an executive of the communist youth, was imprisoned by the fascists. Moreover, it had been his friends in Nenni's socialist party who nominated him as a candidate to the Commission in Brussels. Raymond Barre's tone of voice was firm and sincere and I looked into his eyes with obvious awe, given his reputation as a moderate right winger and Gaullist, hence the unexpectedness of his statement.

It wasn't only my indirect confession as a European federalist radicalist that was at stake. There I was, a contributor to the Club of Rome, facing the man, who at the time of the controversy brought on by the *The Limits to Growth* report, had publicly taken sides in Brussels against the Club's theories. My diplomatic instinct overcoming my courage made me decide it wasn't the appropriate moment to refer to this matter.

It was the spring of 1973 and in theory at least, I had accepted the offer to become Secretary General of The Geneva Association. The Founders had also suggested to Raymond Barre, who had just returned from Brussels, that he become President. His agreement, as much as my final commitment, depended on this meeting.

The discussion lasted over two hours and ended with another sentence that I've never forgotten: *"Very well, dear Sir, I think I'll accept and it's clear that ours will be a candid collaboration. We will really discuss every important issue without keeping secrets from each other".* I was elated by such an earnestly accepted commitment to this task, and by the obvious rectitude, fairness and common sense of the person who, as of that day, I considered to be one of the most remarkable men I have had the good fortune to meet in my lifetime. One who, three years before becoming the French Minister of Economy and Finance, and then Prime Minister, followed with consistency, friendship, knowledge of men and things, and with lively and sound judgement, all the early ups and downs of The Geneva Association.

On average, he came once a month to the Association's little office (50 square metres) in Chemin Rieu, in Geneva, to discuss various problems, not to mention the telephone discussions or my visits to Paris. It was he who suggested the publication of a series of texts on our research which, following the example of the *Princeton Papers*, quickly became the quarterly magazine *The Geneva Papers on Risk and Insurance*. It was he who immediately offered to convene the first meeting of the European Group of

* Former Secretary General, The Geneva Association.

Risk and Insurance Economists (EGRIE) in Geneva, attended by eight participants. This initiative continues today, in a different city each year, with almost 50 European and American participants, chosen amongst many candidates.

There were many difficult battles in which we fought side by side.

Risk management, key to economic development

The Geneva Association, officially known as the "International Association for the Study of Insurance Economics", was founded by half a dozen CEOs of large European insurance companies who felt the need to explore the evolution of insurance, faced as it was with great economic, social and technological changes. They realised that something important and new had happened.

Given my experience in the industry and at Battelle[1], I had two reference points: on the one hand the economy would favour service activities while, on the other hand, risk and vulnerability management would simply become a key to economic development. When the task of leading The Geneva Association was first proposed, I saw in it a confirmation of my own personal analysis: services plus vulnerability led to "insurance" or—on a more general level—risk management. From my point of view, it was an opportunity that could not be missed, especially with my personal ideas. But, especially at the beginning, I curbed my enthusiasm: it wouldn't do to frighten those who wanted to hire me and who could have thought that I was an ambitious intellectual basing himself on theory. At Battelle I had learned that one should always understand the motivations of one's sponsors well, as well as their level of readiness and their ideas. Moreover, the industry already had positive experiences of serious research: I often spent a whole day at Battelle with top executives from IBM or other large companies discussing a proposal on a specific and apparently clear topic in order to be sure of the meaning of every single word. Often some of their opinions could be questioned. Insurance—as I soon learned—had not had much experience with professional research. It was necessary to proceed slowly and to be very patient. However, it was a completely new adventure, even though the ground being explored was based on a centuries-old professional tradition.

On the one hand I felt like Buffalo Bill; on the other hand I didn't have to deal with a tribe of Indians but with much more refined gentlemen than those in the industry, who are very conservative from an economic point of view–and with good reason. For a very long time they had been used to representing a "secondary" economic activity, outside the great industrial adventures, untouched by the great changes and great whirlwinds. The Geneva Association would rightly become the symbol of this prudent but inevitable movement, which pushed, and today still pushes insurance to the centre of the economic storm. It was a real revolution.

Now, on the one hand, I observed with great interest the birth of a new institution for some senior insurance executives. On the other hand, it was necessary to remain prudent so as not to end up just like Buffalo Bill as a clown in a circus. It was necessary to talk about the new economic facts, to carry out investigations, to deal with the new challenges. The Geneva Association started out with a great President, my full-time work and a part-time secretary. It was meant to come to an end automatically after three years, unless there was a unanimous decision on the part of the members to continue… This time limit was moved back three times before being finally removed. All around, therefore, there was justifiable scepticism, starting with that of the President of Doxa in Italy. At the time, it was the leading pollster company and was run by the former Dean of Trieste University, Pierpaolo Luzzatto Fegitz. The Italian founder of the Association, Fabio Padoa, had given him the task of interviewing me in order to assess my aptitudes. I later read his report: he considered me qualified to carry out the work, but didn't think I would accept such an apparently vague assignment, with so few resources, namely to organise a "think tank", a centre of thought on European (later to become world) insurance. I had not told him the full extent of my ambitions.

Two months after the start of my job, a French member, Bertrand Percy, invited me to lunch in his company's premises, and while drinking a glass of excellent Sancerre, he said to me: "My dear Sir, you

[1] Battelle Research Centres, Geneva, at the time the leading contract research organisation worldwide.

should know that I agreed to take part in the group promoting The Geneva Association out of friendship for the person who asked me. But I see nothing useful in your work and I fear that you won't have it for long".

He was a very dynamic and intelligent CEO on financial matters and I am sorry that the implicit challenge did not suit him and that he had to retire from the insurance sector in recent years.

In a German company at the time, they told me that, after all, the Association cost each partner as little as the cost of a small fire and that it was therefore not a great loss. It was a little depressing to listen to this kind of comment. There were, however, other comments that compensated for the negative ones, like the one from an English member, Julius Neave, during a seminar on insurance at Cambridge. When concluding his speech, he mentioned the fact that insurance had to open up to the outside world and that The Geneva Association represented an important step in this direction. At last, some recognition was coming our way.

With another German member, the risk that all would end badly was higher, but all in all it ended well. He too invited me to lunch to tell me, basically, that given its limited means, the Association should restrict itself to occasionally asking some university experts to support some interesting points on the behalf of insurance. I obviously thought that he was deluding himself if he believed that I had accepted this position with the intention of limiting myself to this type of task. I was aware that what I was doing was leading insurance in the right direction. Those times were beneficial for the insurance industry: the economy needed its services, even if only at a theoretical level. Having the opportunity of disseminating this piece of information in order to improve the image of this sector through concrete case studies was worth more than all the expensive advertising—be it through television or another medium—in the world. What I was focusing my attention on and putting my efforts into in order to achieve this goal was a decisive card that would leave a unique mark in the history of insurance, and it could not to be wasted.

In the 1970s, business, particularly in the United States, had begun to be aware of the need to keep a close watch on the vulnerability of production and the use of new products. The expression "risk manager" was increasingly widespread to indicate the function of one who established the balance of all a business's risks, evaluated the totality of existing insurance contracts, decided, or suggested to the Chief Financial Officer—in the majority of cases—how to manage these risks. He also dealt with all matters in security management. This "Risk Manager" could cover part of the risk using external insurance, increasing precautionary and preventive measures; he could also decide to accept some risks without insuring them, or still again create a so-called "captive" company to self-insure risks. Often in this last case the captive companies could reinsure so as not to keep the risks to themselves, something that could create difficulties in the balance sheets in negative years.

Among my first initiatives there was a study—which I carried out in part myself—to assess the state of development of risk managers and risk management in the European industry and above all in the chemical sector. The insurers' fear was that risk managers would end up increasingly pushing companies away from external insurance. Along with others, I thought that a part of the risk managers' profession would have developed within the industry (they were already organising conventions with 6,000 participants every year in the United States). On the other hand, a more refined analysis of businesses would show increasingly greater risks to cover. In any event, it's true that in the United States half of all insurable industrial risks were dealt with within the industrial companies themselves.

In this rather modest study, to be truthful, the new situation in full evolution began to be better identified. It was discussed at a small meeting at which Raymond Barre, President of the Association, and the insurer who had defined my task as that of passing on the orders for texts supporting insurance interests, both took part. The latter was in a bad mood because of this initiative of mine. Later in a restaurant serving traditional Valais cuisine in Geneva, he got really angry with Raymond Barre and me. We were sitting next to each other, literally elbow-to-elbow. After a quarter of an hour, he calmed down and it was possible to finish dinner. My President listened politely, without showing the least sign of impatience and we never returned to the incident. Four or five years later, however, that same insurer told me: "*I must congratulate you; you did a better job than I could have ever done*". What satisfaction it was to hear those words. I appreciated the fact that often those who criticised us, even ferociously so, took a deep interest in our work from up close and, in a certain way, they helped us to be more responsible. At times it is unpleasant but much more constructive that the attitude of those whose appreciation simply means that they consider it neither useful nor important to read or understand what we do.

Studies on industrial vulnerability and risks

Right from the start of The Geneva Association's activities, I set up a series of studies on industrial vulnerability and risks. Japanese and European statistics indicated that the premiums and damages in this sector had been increasing for years, around twice as fast as the growth rate.

To get down to details, I turned to the great research centres of the world such as Battelle, the Stanford Research Institute, Arthur D. Little, Diebold and others, saying that they should help me open up a new market for them. This way, I was able to obtain studies at a fairly low price, taking into account the promotional value of what I was asking. In any case, it was simply a matter of suggesting that they should make good use of the knowledge they had in certain sectors and review it under the aspect of an analysis of its vulnerability.

The first study of this kind that was carried out was on vulnerability and the risks linked to computer use. During my time at Battelle, I had met Olaf Helmer in the United States. With his "Institute for the Future" he had made a name for himself by having developed the "Delphi" forecasting technique. It consists in bringing together a group of approximately 10 acknowledged experts in a particular sector and asking them some relevant questions. The answers gathered in this way are then passed back to them once or twice, to give each of them the opportunity to reflect on, and to modify their first analysis. Changes of opinion are frequent and show that the questions have been considered extensively. Helmer had just carried out a study on computer risks for a Swedish insurance company (Skandia) in the United States. Having come to an agreement with them, I entrusted an analogous study to the Diebold office in Paris: they knew the sector very well, had at their disposal the questions prepared in America and the results to compare them with. It was the first study in Europe in this field and 3,000 copies of *The Geneva Papers,* in which it was published, were distributed, in most cases by request.

This study also suggested the imminence of the great expansion of the new computers, particularly of the small and very small ones.

When a member of Lloyd's of London Secretariat invited me to lunch, curious to know what this strange Geneva Association was, I had a copy of the Diebold study under my arm. He gave it only a passing glance. He didn't really know much about professional research. He had never heard of Battelle. He judged people in the old manner, on the basis of their culture and style. He concentrated on the subject of slavery. Fortunately a year earlier I had been to a meeting of the Club of Rome in Dakar in Senegal, and I had visited the building from which the slaves were sent to the Americas. I tried to bring the discussion back to computers and the risks connected to them, but in vain.

Shortly after, it came out that someone at Lloyd's had supplied insurance cover to a company that rented out computers to safeguard them against obsolescence, i.e. the danger that the machines bought for hiring would soon be replaced with new, more advanced machines, and they would find themselves with a stock of unusable computers. A reading of our study would have been of help. I was very upset by the lost opportunity, but I didn't belabour the point as I did not want to appear arrogant. In the world of professional research, it is not enough to recognise an isolated fact: a mindset and organisation suited to make use of the information are needed. At the end of the day, the lunch at Lloyd's had been excellent and the gentleman very courteous and friendly. I would have caused embarrassment over a problem that required maturing over a longer term.

On the other hand, Lloyd's completely redeemed themselves in my eyes a few years later, when I had launched some studies on space activities. We had organised a seminar in London with Jim Bannister, with whom we would carry out many initiatives for more than 20 years, on the risks of satellite launchings. A representative from NASA also took part.

I remember a very professional and able Lloyd's broker, who had contributed to the cover on a satellite that had been badly placed in orbit. The insurance was paid, but he had the idea and the courage to invest in the recovery of the satellite, thus making a subsequent gain.

Later on, the Association dealt every year with the subject of risks in various fields such as robotics, superconductivity, the packaging industry, storage, and the transportation of liquid gas, even industrial cooking systems and biotechnology.

Synthesis of the various types of insurance

As of the 1970s and on, the first big change in insurance to appear and take place was the synthesis between various types or categories of insurance in relation to the level of vulnerability of businesses and eventually persons too.

Traditionally insurance had developed through the identification of a type (class) of risk (fire, theft, car accident, skiing accident, etc.) among which a certain homogeneity can be determined (a bicycle and a locomotive cannot be put in the same group), a certain scattering of risks (it is not necessary that all the probabilities of loss be concentrated in the same place), a certain level of frequency of possible damages (thefts cannot be insured against if, for example, in a year there's a loss for every two insured), a certain limit to the maximum possible damage (for example, the damage caused by a meteorite that destroys a city of a million inhabitants). Actuaries will explain it better with technical terms such as seriousness, frequency, variance (an average can represent damages relatively close to this average or very great variations such as the cost of the destruction of a little sail boat or a cruise ship with 5,000 people on board).

The phenomenon of the growth of risks and vulnerability (and hence of their costs) led to the development of risk managers, which I have already mentioned. Taking a company's vulnerability into consideration means that what counts is the cost of the losses, independent of the origin or class of the risk. If insurance always has to refer to specific classes of risk in order to manage them in a reasonable way, the insured has to identify his vulnerability whatever its cause.

That is how it is for example when a business suffers a fire: it also risks losing clients if it cannot deliver its products. Moreover, some of those products could be badly made and cause harm to health or in some other way. If they are defective they must be withdrawn from the market.

All these aspects have forced insurance to create well-prepared packages of insurance "products" which were originally developed separately. On the one hand, for example, fire (the cost of rebuilding a damaged house or factory), on the other hand, the indirect losses caused by the fire (consequential losses) when the fire prevents one from fulfilling a delivery contract, and then all the consequences connected to various types of responsibility. Around 30 years ago at The Geneva Association, we carried out the first study in Europe on the problem of withdrawal of defective products, a situation that brings into play all the obligations linked to responsibility. It was very amusing to read in our report that withdrawal of some products from the market was like trying to put toothpaste back into the tube.

In any event, European industry, somewhat later than that in the United States, understood the interest of an open and transparent policy on the subject of withdrawal of defective products, and it is not unusual to read announcements in the press about the recall of that type of tyre or that other type of domestic appliance or car. Such incidents are rare but sometimes costly, and cannot be completely eliminated in our imperfect world. It is advisable to deal with them in the best way possible.

Here then is confirmation of an essential point. In economic practice, but not only there, vulnerability is a concern that has already caused important and very obvious changes in the business market.

Reflection on the concept of risk

Another strategic question that emerges together with the growing importance of vulnerability management concerns the idea that everyone, particularly among economists, has of the concept of risk.

Well after the beginning of the 19th century, risk was not taken into consideration by economists. It was a subject for sociologists, from Weber to Sombart and others. Price balance excluded uncertainty on principle: in a society based on science, it was thought that risks and uncertainty would one day be eliminated or practically so. This way of thinking lasted a long time and is still lurking in many people's opinions.

At the start of my work at The Geneva Association, I met a certain number of top executives resigned to the idea of an insurance condemned to a minor role and without a future. The CEO of an important insurance company said to me one day: *"But Signor Giarini, you delude yourself. In today's world based on science and technology, insurance is destined to disappear. If everything becomes increasingly foreseeable, there will be increasingly less need for insurance".* I thought exactly the opposite. This is why the role of insurance and of economics cannot be understood without thoroughly studying their cultural premises and acquiring a real understanding of the scientific process.

Therefore, at The Geneva Association, we successfully promoted discussions around this point of view through publications, meetings, and conferences involving eminent scientists. The contribution of Nobel recipients such as Ilya Prigogine and scientists such as Karl Popper, Hermann Bondi and Walter Weisskopf, to mention but a few, confirmed that this line of thought stood up well.

In particular, referring to one of our publications on *The Limits to Certainty: risk management in a service economy,*[2] Ephraim Katchalski-Katzir, President of the Weizmann Institute, wrote: *"You have managed to bring the uncertainty of physics into economic thought, and have done so in a very clear and convincing manner: your analysis of the importance of assuming risks in a modern economy and the study of the origins of uncertainty are particularly brilliant. You have produced a shrewd and exciting analysis of the risks run by people as individuals in many companies and by society as a whole, and you have shown how we have no other choice in the new era in which we find ourselves but to react in a suitable way to the various types of risk we face…".*

Here was a judgement which went a long way to justifying the commitment to working for The Geneva Association.

As far as economists are more particularly concerned, it was only in the 1920s that Frank Knight wrote a first book highlighting the fact that when it comes to investing, the more dangerous the investment, the greater was the interest required and vice-versa. This meant that, for the first time, it was acknowledged that there was certain autonomy in the notion of risk. All this seems obvious and simple, yet Knight's name is not as well known as the application of his ideas in every financial activity.

Vulnerability on the other hand represents a pure risk. Insurers speak of an "Act of God". Any undertaken activity, including those undertaken as an entrepreneur, is also subject to its own level of vulnerability.

Many economists, and often even other financial experts, do not acknowledge this distinction. Over the last 30 years, discussions about the distinction between risk and vulnerability have monopolised the idea of risk management in order to define the evolution of money management, this being in most cases an "entrepreneur-type" risk activity. While the term "risk management" came about initially in the industry, above all in relation to the management of pure risks, it was dependent on the implicit vulnerability in every plan or situation. These two types of risks are complementary but very different. Pure risk lacks a universality and cultural tradition, that of the economists and financial experts. In fact it was expected that vulnerability, which represented the imperfections of the present, would disappear with the development of technology.

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[2] *The Limits to Uncertainty*, Kluwer Academics Publisher, Dordrecht, London, 1993.

Instead there was the 11th of September 2001, nuclear and biological risks, pollution, environmental risks, social welfare and the vulnerability of welfare and pensions systems. All pure risks, linked to technological and social evolution which to a great extent condition economic evolution, are linked to a service economy characterised by the need to obtain the best results controlling all kinds of vulnerability.

Finally, there is an important lesson to be drawn from the study of industrial risks in many sectors: that one regarding the growing specialisation, complexity and concentration of vulnerability.

Imagine wanting to insure a satellite launch into space: they are a few dozen of these per annum, the numbers decreasing each year. Compare this with a car insurer who has hundreds of thousands of customers. In the latter case, the probability of accidents and future damage has to be shared by such a large number of cars that a forecast can be fairly close to reality. Instead, for satellites a bad year could mean that possible losses would be two, three, five or even 10 times greater than those reasonably forecast.

The nature of specialisation and activity transform some classes of risks into statistical units, often increasingly more limited in number. In these cases, forecasts of accidents become increasingly uncertain. This kind of uncertainty is one of the elements behind the foundation of The Geneva Association. Uncertainty has increased, even among insurers.

This was a challenge I did not manage undertake. I tried to explain this to economists: You often put forward the concept of the economy of scale and of specialisation. Why don't you suggest an analysis that takes into account the cost of the increase in uncertainty due to specialisation? For their part, actuaries have been studying for a long time now what they call the credibility theory: faced with the increase in the classes of risk with increasingly limited frequency of damages, how does one aggregate—put together—various groups of classes of risks in order to find a better way of managing vulnerability? Economists and actuaries should get together and review the very concept of scale in economics.

Studying the systems in order to determine the price of insurance

I have to suggest another point to the reader concerning the question of the evolution of insurance and its significance for the analysis of an essential subject: the setting of insurance prices as a key reference point in the new service economy.

In a classical industrial economy, prices are usually fixed based on production costs so as to meet a reliable demand.

On the contrary, the insurance industry's experience has always been that of an "inverted cycle" in which the price has to be set based on the future occurrence of an uncertain event.

Systems for determining prices, even in the manufacturing industry, today increasingly resemble the methods used for insurance policies and are moving away from the classical and simplified "industrial" model founded on "balance". Some costs caused by the use of products or systems (including waste disposal) actually require a judgement as to their future costs after they have been sold and used. This comes closer to how the insurer acts and thinks. This is particularly clear in the case of leasing. The increase in the cost of civil or product responsibility caused by the sale of products or services has also become a cost related to the future performance of products and systems, and so must be included when calculating "production costs".

While the classical "industrial" economy could have as its objective a "perfect balance" in terms of price, taking into account increasingly "complete" information, the uncertainty concept is an integral part of the service economy's theory and practice. Prices increasingly reflect a probability judgement on the future costs of usage. In these circumstances no "scientific" information can ever produce what could be considered "perfect" information. Political economics has to study much more closely how the insurance pricing system works.

This is a key reference point for the whole of economics.

Insurance and welfare

Dominique Strauss-Kahn and Denis Kessler were two young university economists whom I met for the first time in 1979 in a small hall made available to the French Federation of Insurance Companies (FFSA) in Paris, on Boulevard Haussmann. It was impossible to imagine at that moment that in the 1990s Dominique Strauss-Kahn would become a minister in the Jospin government and today President of the International Monetary Fund in Washington; Denis Kessler was to become president of that same Federation and is now President of SCOR, the leading French reinsurance company.

At the time I was suggesting and soliciting studies on social vulnerability, in the first instance those relating to pension systems. Following debates in the Club of Rome, and above all, my analyses on the fact that the slowdown in growth would be a long-lasting phenomenon, it seemed clear to me that this would cause long-term problems for the maintenance of State pensions based on distribution at the levels then in force. The problem of the increase in life span was also beginning to appear on the horizon.

Today, after three decades of experience, one has become accustomed to considering a 2 per cent growth a good average. In the first half of the 1970s, governments (and the economists who advised them) saw it as a crisis rate, and that it would go back to “normal” at an approximate rate of 6 per cent. From this sprung a whole series of economic policies based on debt that the future “normal” recovery was to pay back. And so an increasingly high level of inflation arrived. Even in Switzerland, it rose above the 10 per cent threshold and in some European countries it exceeded 15 and even 20 per cent.

It was, as was said at the time, “stagflation” (stagnation because real growth was around 2-3 per cent with strong inflation). Neither governments nor experts were prepared to consider the very simple fact that it was a problem—at the end of the day the classic one—of relative rigidity of supply, linked to changes in production structures. In official circles it was customary to test the demand and one did not dare acknowledge that science and technology wasn’t a magic wand capable of transforming production conditions according to necessity and in the short term.

To me it seemed urgent, therefore, that studies be begun to assess the importance, for families, of all their available financial resources: private savings, life insurance, personal property and real estate, safety and social welfare. As for insurance companies, it was a matter of better understanding their role. I had in mind a study carried out at Battelle to determine a strategy for developing the beer industry: it had started from the idea of discovering the “added value” of all drinks in relation to tap water. In a bar one can choose a glass of beer, wine, mineral water or a coffee. One could then consider the development of beer just in relation to all the possible alternative drinks. Afterwards it was also possible to make an accurate analysis of the different types of beer.

It was natural, therefore, at least at as a first step, to take stock of life insurance in relation to families’ disposable resources in the field of State insurance. As usual before entering into discussion with the experts, I took my pilgrim’s staff and experience behind several surprising situations.

At that time, in most texts on private life insurance, social insurance was ignored. At most there were some annexes on the subject.

When I went to meet an Insurance Professor at a famous university and asked him about his relationship with the teacher who dealt with welfare, his answer was that he did not know him. He went on to say: *“I work here on the first floor and I believe he is on the second one”.* The reasoning of the strategic studies on beer had not arrived there. But in this field, of course from the mid-1980s on, there was a real revolution. Studying the various forms of welfare, comparing them, adapting them, had become serious business for a large number of research centres, consultants and universities. It was amusing—and useful—to have lived this first period in a “Buffalo Bill style”.

Before 1980, I had therefore promoted a whole series of small studies in England, Germany and Italy (and later on in other countries), to stimulate the comparison between private insurance and public and private welfare. The study left its deepest mark in France, thanks to the quality of the researchers, namely Dominique Strauss-Kahn and Denis Kessler. They were known for their research on family economics and its structure, including inter- and intra-generational transfer. It was a good basis. Then they had studied and worked closely with a Nobel prize winner in economics, Franco Modigliani, who had demonstrated how, over the life cycle of persons and families, the structure of property and hence of all their financial resources, changes. It was a perfect starting point. They knew private insurance a little less, but were ready to learn. Following the "Battelle method", I encouraged them to consult as large a number of experts as possible, above all those within insurance companies, in order to hone their knowledge of this sector.

In all research, even the most "quantitative", one must develop what the English call "feeling" for things or the Germans *"Fingerspitzgefühl"* (finger tip feeling).

It is also interesting to remember that, in the great majority of the studies for The Geneva Association, I turned to external experts from other sectors, involving as much as possible specialists from the industry, other financial services and public institutes. At the same time, I insisted that everyone should speak of these studies with insurance professionals.

It was a question of breaking down barriers and falling on one's feet. It was also a way of making everyone understand that insurance was becoming increasingly important for all economically speaking.

The Strauss-Kahn/Kessler study was published in 1981 under the title *Savings and Retirement—the future of pre-financed pensions* and contributed to launch and establish this debate for many years. Denis Kessler would later continue to complete and update this core study.

While remaining in Paris, he became Deputy Secretary General of The Geneva Association for almost two years before being appointed President of the FFSA. It was his interest in understanding risk management in every field as an important economic problem that stimulated and motivated him until he also became Chief Economist of the MEDEF, the Movement of the French Enterprises.

The huge increase in discussions on the reform of all the social systems in most countries changed The Geneva Association's field of action. The interests of insurance were taken into account by the companies themselves and by national and international associations whose scope was to defend the sector's specific interests. The Geneva Association could not and cannot try to understand, beyond the interest of the insurance sector, where the most important themes for the future of society lie, without prejudice or taking "political" positions. The Association therefore became a means of exploring, of anticipating, and also proof of the indispensable opening of the field of insurance to the great questions and problems of the modern world. The importance of everything relating to modern insurance renders this evolution indispensable, and is translated into absolute transparency. At The Geneva Association, there has never been a single study, a single report or any other type of document that was classified or confidential information. Everything is available to everyone seriously interested in its work.

This attitude has been quite useful in establishing The Geneva Association's credibility, particularly in relation to the world beyond insurance that had to understand that highlighting the importance of managing risks of every kind was not simply a public relations problem for insurance companies, but a very serious question for the interests of everyone in every activity, in every sector, be they public or private. I had the satisfaction of receiving a comment from Jean-Claude Trichet, Governor of the Bank of France, and later of the Central European Bank, when I put The Geneva Association's activities to him in these terms, on the occasion of the Group of 30 meeting in Washington: *"It's a very intelligent way of defending insurance's long-term interests".*

The four pillars strategy

Having contributed to the initial awareness of the delicate and very important question of the adaptation of the Welfare State to the conditions of contemporary society, The Geneva Association then went on to focus on other essential subjects. As usual, when The Geneva Association opens the debate on certain topics, it has served as an eye-opener for the different stakeholders.

The first project on the Four Pillars strategy goes back to October 1988. I started from the observation that, apart from a few exceptions, lifespan, in every country in the world, was tending to increase as never before. And in particular this lengthening of life could not be considered a scourge ("society ages") but rather, in a much more realistic and positive way as the addition of 10 or 20 years to an active life, in a reasonable state of good physical and mental health. And so this progress was increasingly well absorbed into daily life of the vast majority of the population, at least until the 1980s. As a consequence there was a need for the whole life cycle to be adequately reconsidered, subject as it inevitably was to a new division of functions and time of learning and work.

The latter would have to be modulated according to age, starting from a part-time basis to full-time or more. Part- and full-time can vary however depending on circumstances and how society evolves. A century ago, full-time work could mean 80 hours and more a week. Today one can start from the idea of a working week of 36 to 40 hours. In a service economy, however, we increasingly need to assess non-paid time which for now is not taken into consideration for economic statistics, especially those that compute value.

The Four Pillars comprise: public insurance, private insurance linked to work, individual savings and investments and work (at part-time, beyond minimum pension age).

The costs and organisation of health

Another very important question is currently subject of The Geneva Association's deliberations. It concerns the costs and organisation of health. In an ever longer life cycle, it is clear that health costs (which increase to allow us to live better) are very unequally spread over age bands. In other words the "repair cost" of the human body after 50 or 60 years increase considerably. Social justice depends on the dominant political vision in a society. It is also essential that sufficient resources be accumulated throughout life in order to consequently sustain the expenses of the oldest, adding the cost of those who are no longer self-sufficient.

This implies setting up personal and collective reserves (private and public) to deal with the situation, and bringing the health insurance and pension insurance sectors closer together. In certain cases and in certain conditions, the two could even be combined. The best solutions can only be found through research and discussion between the interested parties.

One starts from a realistic assessment of health costs, present and future, and from the best policy to follow on economic and social relations between generations.[3]

The real nature of insurance

Kenneth Arrow, Nobel Prize winner in economics, explained the insurance business in these terms: it's like going to the bank, with the difference that when you pay money in at a counter you can withdraw your capital in line with the terms of deposit, while in the case of insurance, the capital is withdrawn on condition that an event against which you are insured, happens. In English it is a "conditional claim". It seems simple, doesn't it? On this basis, financial economists, and there are many of them, have been wrong in thinking that, since they know everything (or almost) about banks, they do not have much to learn about insurance. This is an inadequate view.

[3] See Health and Ageing, *www.genevaassociation.org*.

To begin with, money withdrawn from an insurance company in the event of an accident is available mainly thanks to the organisation of an insurance scheme which is the function of every insurance company, whether it is a mutual or a proprietary company. It collects premiums from those who are subject to a similar risk in order to pay those who suffer the consequences of the unexpected event.

Secondly, insurance often does not pay a pre-determined cost, but the real expenditures (within certain limits) rising from an accident. So payments are not strictly based on the nominal value of money, but on that of the things to be replaced or repaired. In life insurance too, account is taken—at least in part—of the fact that there must be a guarantee of capital or long-term yield sufficient to ensure real purchasing power in a future that can be very distant. From this comes the importance, to insurance, of limiting inflation as much as possible.

The rest of the financial world, that almost always bases its calculations on the nominal value of money, aims at earnings that very often are short-term. Statistics on a nominal basis can suffice. For insurance it would be wiser, perhaps, to make more frequent use of statistics on a real basis that take into account the purchasing power of money over time.

There is one point on which insurance is really different from banking and from any other economic activity: it is the establishment of reserves for paying out on commitments that can arrive at up to 30-40 years and beyond.

In the manufacturing industry, it is not unusual that a large company can have short-term cash flow problems, even though it is flourishing. On the contrary, a technically bankrupt insurance company, i.e. one with insufficient reserves to meet all its future commitments, can continue to be in liquidity for 10 or 15 years. In the case of a bankrupt insurance company on which we created a simulation, a lack of liquidity would be felt only after 17 years…

This situation is practically and psychologically incomprehensible both to a banker and to an industrialist. It is on this very point that one can find a deep divergence of mentality between the heads of insurance companies and the others. In insurance, one needs to be very conservative and to defend and protect, as best one can, important reserves for the long term. Bearing in mind how little knowledge on insurance economics is taught at an institutional learning level, those in charge in this sector often come to the conclusion that, while publishing explicit financial reports at the end of each year, they shouldn't over wet the appetites of all the world's sharks. And there are plenty of sharks.

Every so often, some managers from banks or the industry, more casual than others, realise that insurance possesses reserves managed—fortunately—very conservatively. Then, notwithstanding the surveillance mechanisms, danger arrives. Over 20 years ago, in three European countries, Italy, Spain and Norway, some important insurance companies (La Fondiaria, El Phoenix Español and Norden Storebrand) came to harm because some entrepreneurs thought it opportune to give the insurers lessons on entrepreneurship. In order to maintain their reserves, companies need an efficient control system but also—perhaps most importantly—sense and ethics up to the mark.

Concerning this I would like to draw the attention of the reader on a particularly sensitive point. It is often said that the image of insurance is generally mediocre. I have had enough experience in many economic sectors to say that bad habits and reproachable behaviour are pretty widely and evenly distributed everywhere. Insurance suffers from two particular negative points: on the one hand it represents a sector—forgotten by economics—considered under tow to others and with no great future. On the other hand, insurance is easily manipulated by the insured.

In the first case the reality of the modern world should do justice to this reputation. In the second it is interesting to read the book, *The Hidden Bankers* which was released to the public with the idea of confirming dubious insurance operations. A number of these do exist, but no more than among car sales companies. The fact is that in seeking out bad actions on the part of insurance, this book has brought to light a series of facts that demonstrate how much it has to put up with unjustified requests for regulation (which, of course have repercussions for premiums, something that shows that insurers too would sometimes have an interest in having stricter behaviour).

For instance, it often happens that, in a garage, an insured's damages are the excuse to add other expenses having nothing to do with the accident causing the damages.

Another example of these wrongdoings is that at least 20 per cent of all fires are caused in order to get access to insurance money, without any accident having occurred. This amount varies from country to country, but the phenomenon occurs everywhere, and that does not include those more violent cases or those which come within the area of real crime.

A senior insurance manager must actually spend an important part of his time in studying the statistics relating to damages to find some irregularities that often indicate suspicious behaviour. In some cases at least, one might think that the aggressive approach of some insureds could be the result of their guilty conscience. This clearly does not make up for the errors that some countries have tried to solve by setting up an "Ombudsman" service, tasked with objectively assessing claims.

Right from the moment when an insurance policy is purchased, the insurer is faced with the problem known to economists as "anti-selection" in the area they call "asymmetric information". It was on this concept and this reality that Joseph Stiglitz was awarded the Nobel Prize of Economics. What it refers to is the following. It is tempting for someone who knows he is about to die in two or three years' time to take out a life insurance policy for his family, hoping that the insurance company will not find out about this short life expectancy. The same applies to someone who would like to insure a car knowing very well that it will break down immediately. The insured person knows the condition of what he wants to cover better than the insurer (hence the expression "asymmetric information", where one party knows more than the other).

A private insurance company must ensure that every risk covered is done so at a true cost, and not fall into subsidising those who hide the fact that they carry more serious risks than those for which policies are issued. Justice demands that all the insureds be treated in the same way. For those who are unaccepted (a seriously ill person who is about to die) there must be some compensation or help from the State or from the community as a whole. In such a case we should all agree to contribute through the tax system but not by means of an insurance policy. In the one case, there is a tax levy and in the other, a premium. To confuse the two is economically and socially unacceptable.

As can be seen here, risk and vulnerability management is fairly complex. It deals with all the economic and psychological mechanisms of human behaviour and more generally with everything economists have developed on the subject of "public economics". The latter deals with the economic help and stimuli, the basic aspect of which—in the world of insurance—concerns the "moral hazard" or subjective risk we have already seen. The key question is always "How to motivate men and women with economic measures so that their behaviour will allow a better economic development". The insurance world is a mine of experience and information on all of this.

The success of insurance

Claude Bébéar, who had just joined The Geneva Association, when offering me a coffee in a bar on the Rue de Londres in Paris in the Spring of 1974, said to me: *"They told me that having attended the Ecole Polytechnique, the last thing I should get into was insurance. They should listen to you".* I had told him my story because I thought the role of insurance was destined to become increasingly important for economics as a whole. He had begun his career in a small mutual in Rouen whose head office I had visited near a castle. Shortly afterwards, it took the first steps towards its first merger with *Mutuelles Unies*. Some years later it was the turn of the Drouot group. Later still, the Paris group with *Paternelle* and then Equitable Life in New York merged, and later still UAP, the leading French insurance company, as well as those in Australia, England, the United States and in other countries. Someone said of him that he was the French and European Napoleon of insurance, with the difference that he had not experienced Waterloo. This is the best demonstration of the fact that insurance could boast its economic success stories like those one reads in books about the epic deeds in coal and steel, railways, chemistry and banks.

Yet, articles written by American and European experts in management continue to explain that most business mergers end in failure. They do not observe what has been happening in world of insurance for at least 30 years. They are not used to looking at that area. Claude Bébéar and others—above all in the Netherlands, in Germany and to a certain extent in England and Italy—must appear as extraterrestrials to them. They are sustained on the one hand by the position where modern economics opens slightly to insurance and on the other by the entry of senior managers with an increasingly wide vision. Claude Bébéar also sought to oppose the drift that ended in giving rise to the recent large scale financial crises, with a book titled, *Ils vont tuer le capitalisme*.[4] To my great satisfaction, in the book's dedication, he recalled our 1974 discussions "in memory of an old complicity".

When "financial services" are mentioned, it is still banking that springs to mind first, starting from the idea that in any case banks and insurance would become increasingly alike. This is a superficial view. Today, insurance has a big advantage: its business is basically linked to specific and solid characteristics. It is about covering risks through mutuality, the creation of long and very long-term reserves; it is a bond with results linked—at least in part—to real costs. Meanwhile the bank's daily functions are faced with all sorts of possible alternative competition: industrial companies themselves act as banks with commercial cards, pension funds, sales financing. For their part, the big stores distribute their credit cards, and post offices in some countries offer themselves as replacements for local banks, and so on. Fortunately, banks are supported by a long tradition and by a managerial class that often knows well how to fight. But equally often, and increasingly so, they try to create their turnover as intermediaries leaving as much of the risk as possible in the hands of their customers.

Banks and insurance

For over 20 years now it's been fashionable to talk of "bankinsurance" or "insurfinance". There is some truth in these appellations, but also some confusion. First of all, it is clear to every entrepreneur that the possibility of strengthening his or her sales network and distribution is a fundamental concern. Insurance companies, therefore, try to test and to organise distribution with every possible method. New technologies offer opportunities. Sometimes there is even an interest in having various networks within the same group compete with each other to stimulate or to arouse them. In many cases and in many countries banks have become very important insurance distribution networks. Whether they operate in insurance for themselves or for an insurance company, they are still dealing in insurance. Yet, some bank savings products are often called insurance when in fact they are nothing but cash bonds with other names. In any case, the question of distribution can only be resolved through practical business in line with the market, followed with maximum pragmatism. Case by case, situation by situation the best solution is sought.

At a more strategic level, there is the question of the construction of large groups where, following a variety of formulae, banks and insurance companies come together, such as ING in the Netherlands or other very important companies, in Germany for example, that work together with the large banks. In this case it shouldn't be thought that the bank and the insurance company are totally integrated within the overall group. It would be like imagining that producing pneumatic tyres for cars and pneumatic systems for engines were the same thing and can be made on the same production line. Each should be kept to its specific specialty and trade. Making a fruit salad does not imply that bananas and pears are the product of the same tree. It is better if bananas and pears are produced in the best way.

Thus bank and insurance products must maintain their own processes and identity, while allowing for specific situations in which they overlap. But, at the end of the day we need cash, a policy against accidents, life insurance or membership in a pension fund, a mortgage, an investment and so on. Often these financial products are complementary, but insurance is insurance and a bank product is a bank product.

The big bank-insurance groups in particular can offer the advantage of forming a large defensive block to better guarantee their independence. But this is not always the case.

[4] *Ils vont tuer le capitalisme* ("They Are Going to Kill Capitalism"), Plon, Paris, 2003, with Philippe Manière.

Over the last quarter of a century, however, a big change can be observed in the relations between banks and insurance companies, particularly in some European countries. In economic thinking, insurance companies have become increasingly important. There was a time when banks were at the centre of the financial world and that insurance was on its periphery. Today, it can be considered that insurance companies are increasingly the kernel at the heart of the financial system, as tangible signs in at least three or four European countries suggest.

The potential growth that is specific to insurance as opposed to banking is equally reflected by the following. For a long time, banks enjoyed the services of the Central Bank as "lender of last resort". For insurance companies, the insurer or the reinsurer of last resort is not the Central Bank at all, but the State itself and the other public institutions, which is an enormous difference.

Moreover, when in the financial system one speaks of systemic risk, it means the danger of a rush to the bank counters that end up being unable to satisfy cash requests which means financial panic. There is none of this in insurance, this only happens in the case of an accident so there is no rush to the counters. This means that panic occurrences are much smaller.

However, insurance can become insolvent in another way. The example of 11th September is there to remind us of this. Tens and tens of billions of dollars to be paid, perhaps a third of all the world reserves held by insurance companies in the sector. For now, there should be enough, but…

The reserves built up against long-term risks might also make economists rethink the reasoning behind the strict tax system's adherence to annual periods. Insurance companies are sometimes exempted from taxes relating to the risks of long-term catastrophes (they are called stabilisation reserves). Why exempt them? It is the very principle of tax regimes set up at the time of the agricultural economy with an annual rhythm that should be rethought in a service economy, in which the economic value of the result is distributed over variable and sometimes very long periods of time.

Finally, as far as the question of business integration is concerned, the economists' attention should be drawn to three important points.

Insurance (private) is a strange institution that cannot exist in a centralised economy regime (such as in popular socialism): in that situation, it is totally absorbed in the tax system (if there is one). Under Stalin, cars could be built in one or two factories, but there could absolutely not be any private insurance companies. On the other hand, insurance is an expression of economic solidarity between individuals or institutions subject to the same type of risk. In other words, insurance is a good indicator of the level of freedom and possible economic solidarity (on the other hand, even right wing dictatorships sometimes tend to nationalise insurance).

The benefits of competition

Notwithstanding the tendency towards integration, insurance cannot and must not reach an integration of the industrial type. There is no place for a company equivalent of IBM, or of the builders of aircraft or even cars. This is for various reasons, apart from those linked to the diversity of local markets.

It is preferable for the sector as a whole that the cover against risks should not concern every company in the same way, with the risk of sinking the whole profession. The multiplicity of insurance companies is a guarantee of flexibility in the sector. Research into the rationality of management through mergers reveals much greater limits in the insurance sector than in the traditional industrial sector.

If there is competition between insurance companies the distribution of risks within the world insurance system is a key consideration. This can be checked horizontally, with companies of the same level, or vertically through reinsurance. Let us consider the following point: it is better to cover 10 different small risks than one big risk whose cost is equal to the total of all ten. Or the big one is distributed among various reinsurance companies. It is a kind of oligopoly that generally is not studied in economics and that has the effect of improving insurance provision, of making it more flexible, versatile, at worst less expensive and in any event more efficacious. Here we have another economic topic through which insurance pushes for innovation.

Social democracy has triumphed

At the time of the Industrial Revolution, which we still widely experience at the economic and psychological levels, and also because of cultural laziness, one of the key socio-political questions was that of the division of business between the public and the private sectors. Today, we can safely say that the last century saw the triumph of social democracy. Whether in the United States or in Sweden, the State represents, takes, and manages from over a third to more than half of all economic activity. In any event, it is the largest entrepreneur even in those countries that, more than others favour the market economy. The only, sometimes fairly important, differences lie in the intensity of the phenomenon, not in its quality. When I was an economics student at university, about 50 years ago, I was told for example that there were economic activities that could not be integrated into the public services (the production of electricity, transport, post and telecommunications, etc.) that fell naturally into the remit of the State. These were referred to as "public utilities". Today a large number of these services are open to private enterprises and the debate revolves around the determination of new lines of division in every sector. Whatever the case, just by looking at the tax percentage of every State and its evolution over a century and after the end of the Second World War, there is further proof that social democracy has really triumphed, even if it is often defined as "liberal".

In a service economy such as the one we have described, the criteria for division between public and private sectors are subject to changes that prove to be important. First of all, in a complex society, the need to regulate business is often the consequence of practical obligations rather than stemming from an ideological choice: if there are no cars, there is no need for traffic lights at crossroads. When there is no pharmaceutical industry, as was the case some centuries ago, institutions for regulating the production and use of pharmaceutical products served no purpose. Trains have to have timetables and airplanes must take pre-established routes and be monitored in flight.

Now that in a service economy and society it is always necessary to know how to face risks, manage uncertainties and guarantee results, there is another criterion that plays, and will play, an increasingly greater role in the division between public and private affairs: that of insurability.

The insurability criterion

That the risk management and private insurance sector can offer to cover every risk at every level is out of the question. They can only cover some risks, of various types, for which they are able to collect premiums and to carry out their role of organisers of insurance schemes among like-minded groups and institutions around the same class of risk. If a very severe event were to occur (a nuclear explosion, the sudden spread of a deadly pandemic for millions of people), it would never be possible to collect a large enough amount of premiums. At that point it would be the State, at its various levels, which, by necessity, would act as solidarity's last resort. The State does not collect premiums, but taxes that must also fulfil the function of redistribution and social justice.

On the other hand, the State would become totally ineffectual if it had to cover every risk. In this case it would practically have to confiscate close to 100 per cent of earnings through taxation. And we would then fall back into the experiences of the so-called centralised economies, with free enterprise extremely reduced.

The more developed States struggle to find a satisfactory balance between income and expenditure (this is even more the case for less developed States). It is certainly in their interest (and in those of society as a whole) to limit their obligations to the indispensable, i.e. to non-insurable risks. There are always plenty of these. For insurance and the risk management industry to play a strategic role in the modern economy, it is essential to make proper use of them and for them to be effective. Risks to persons, life risks, business risks, environmental risks, risk of accidents and many others are those that can be included in their risk coverage. Acts of God remain unforeseen and as such are insurable unless they are really catastrophic; and we can always face them better by managing our lives, aiming at an increasingly better accomplishment as individuals and as a society. The separation of tasks between the private and State sectors in this field is a key aspect of the economic future.

Insurability therefore is a criterion that has an important place in the division between public and private sectors, one that underlines the complementarities of these two sectors. Everything insurable can be private, everything that is not can only be dealt with by the State, nor should it be lacking, by society as a whole.

The reader might think that when I began to work for The Geneva Association, I had a certain number of ideas and that I wanted to carry them out. This is not exactly the case. I had some hypotheses to test. Ideas put forward as hypotheses only have a value because they are compared to reality and put to the test. If they come back improved, on the one hand, we will have established our deficiencies, but on the other, we will have won. This is why real fundamental research must be free. Every idea or knowledge hidden in a drawer decays and deteriorates. It must be let out into the open air. It is a little different for licenses or patents in applied research: there has to be an even balance between spreading the outcomes and the need to pay for, often expensive, programmes. Even researchers need a salary or remuneration.

At the start of The Geneva Association's activities I did not express my ideas as explicitly as in this treatise. I used those ideas as reference points to suggest to researchers and experts that they discuss their experiences.

Ever since 1977, The Geneva Association has organised an annual conference for the great economists, many of them Nobel Prize winners, so that they could give their opinions on risk, social welfare and insurance; over the years, there have been many, from Kenneth Arrow to Joseph Stiglitz, from Edmond Malinvaud to Robert Merton. A special series of *The Geneva Papers (The Geneva Papers on Risk and Insurance Theory,* now *The Geneva Papers on Risk and Insurance—Issues and Practice*) had been published for almost 20 years and run by a group of highly qualified economists that examined risk and uncertainty from the point of view of the most advanced economic theories. Study grants to students preparing their theses, specialised seminars (one or two a year), investigations into the teaching of risk and insurance in universities completed this programme. I am convinced that it will actually be the analysis of the contemporary economy as a service economy that will supply a decisive stimulus. I could be wrong and only time will tell. In any case, it is wise to explore all possible paths.

Performance over time

Another very important aspect of the modern world is found in the link between law and economics. There are associations of professors in the United States and Europe who have specialised in this overlap and with whom The Geneva Association has often collaborated. The explosion of questions about liability over recent years appears to me to validate the view that it (namely, liability) is fundamental to the nature of the service economy In fact, if economic value is increasingly linked to results over time, then civil, and even penal responsibility, product responsibility (sanctioned by Brussels directives) and all the precautionary directions and expiry dates on all the products we buy, are effectively an indication of the fact that the key to the economic value of the outcome really is linked to performance or result.

In 28 years of activity (from 1973 until 2001), The Geneva Association organised 180 seminars or conferences for a total of almost 6,500 participants. More than 1,000 experts from the industry, financial services, research centres and public institutions collaborated through detailed interviews and articles. Permanent contact has been maintained with about 100 universities, while several hundreds more have been in less regular contact.

As for publications, a hundred issues of *The Geneva Papers* have come out as have 24 of the older version of this publication. There have also been 240 *Etudes et Dossiers* and about 520 Newsletters on the different research programmes and activities the Association has undertaken. The Association's staff and President (now Chairman) have given around 330 lectures. Account should be taken of the fact that at the beginning the structure was based on a single full-time person (three after a few years, including a secretary), and on a widespread appeal to external collaborators in each individual case, though some of these offered their contribution over several years. This was the case with Tom Wilmot for the estimations and statistics on the costs of fires (with the cooperation of the United Nations) and with Julian Arkell, a great specialist in services and negotiations at GATT and later at the WTO—World Trade Organization.

When The Geneva Association was founded, it had a little over a dozen members. After two decades, the number had grown to around 80, and now stands at 90. They are all CEOs of the most important insurance companies in the world. After confining itself to Europe for five or six years, the Association opened up to the United States and to the rest of the world. There are now members in every continent, including Asia (Japan, South Korea and China).

It should be noted that members are such in a personal capacity, something that underlines the nature of The Geneva Association as a research tool on a long-term strategy and without any “political mandate”.

The members meet once a year at a General Assembly and form the most prestigious meeting, in terms of numbers and quality, of world insurance executives. Of course, there is a Board which oversees and checks the activities of the Secretary General. Raymond Barre added lustre to the Board as President during the first three years. Fabio Padoa, who was Managing Director of the Generali Group, succeeded him for seven years. He was the principal inspiration behind the Association, convinced that it should play an increasingly important role in society. Without him the Association would probably never have seen the light of day. I would be lying if I didn’t say that I know I gave him grounds for satisfaction—he wrote of it to me—which rewarded him for his wise insights.

After him came Julius Neave, then CEO of the largest English reinsurance company, Mercantile and General (today part of the Swiss Re Group). I owe him a great deal for his practical support and his style, in the best English tradition. Julius Neave, like the President who succeeded him, was one of the group of founding fathers of the Association who felt personally committed to this adventure. The fourth President, Rainer Schmidt, was the CEO of the Aachener & Münchener Group (which is now part of the Generali Group). I am honestly pleased that we became best of friends based on profound mutual respect and on his human qualities. He was precise and scrupulous, very seriously committed to his position, as can often be expected of a German. His personal and professional achievements were impressive given the enormous effort he made to survive, to go to University (twice becoming professor, once with an honorary degree), found work and was finally successful in his career, after having been on the front line during the Second World War and having come back from it in very difficult conditions. He had an enormous passion for books and continued actively writing texts on insurance until the age of 80.

Brian Corby of the English Prudential, Jan Holsboer of ING in the Netherlands and Walter Kielholz, CEO of the Swiss Re Group in Zurich (the second-most reinsurer in the world), all subsequently brought their contribution, their experience and their vision to the Association until the year 2000.

It is not possible here to remember all the members in all the countries who gave me their support with their advice, suggestions, the availability of their collaborators in organising the General Assemblies and the many seminars. I would like to mention a few of them however for their tokens of friendship and concrete help, offered at critical moments. Among these was Georges Martin, CEO of Royale Belge (now part of the AXA Group), a man of exceptional wisdom and rectitude, as was John Roberts, President of AIG (of the American Insurance Underwriters Group) whose life would make a good novel, and who combined a strong personality with a very American attitude of instinctive support for new adventures. Then there is Bjorn Wolrath, CEO of the Skandia Group of Stockholm, who always ensured that I had the permanent cooperation of the four Nordic countries. I have already mentioned Claude Bébéar and I will again mention Joao Talone who brought together the most important resources of the Portuguese financial services before taking the plunge at a European level, with a notable strategic vision. Lastly I apologise to all the others: they would require a whole book.

Whatever one does in life, one must have good luck to bring things to a good conclusion. Luck was with me at The Geneva Association until, and above all at the end of my work as Secretary General as I prepared for my “retirement” (partial, as it should be).

I would like to thank Ricardo Diez Hochleitner, then President of the Club of Rome, to whom I had suggested that I write a report on *Employment in the service economy*. I had obtained a little financing from a Bilbao bank that wanted to celebrate the anniversary of its founding. I needed that financial help to find a collaborator capable of pulling my notes together, completing them and adding the results of his research. It was 1996.

I found him in the person of Patrick M. Liedtke, who also edited the Spanish and German versions. The latter was named in the German best sellers in the economics section in Germany.

Someone once wrote that there is no success without a successor. Well it happened in the best possible way. Patrick M. Liedtke has shown that he could improve on all that I had undertaken and accomplished. He has done that and more. It was a real stroke of luck for me, for The Geneva Association and, I hope, for him too. As Peccei used to say *"in life what counts is the human quality".*

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