

James, Harold; Peter, Borscheid; David, Gugerli; Tobias, Straumann (Hrsg.): *The Value of Risk. Swiss Re and the History of Reinsurance*. Oxford: Oxford University Press 2013. ISBN: 978-0-19-968980-4.

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Swiss Re is one of Switzerland's most successful global brands, albeit one operating in an industry - reinsurance, the insurance of insurers - that remains largely invisible to the general public. The company has also been a major force behind the growth in our scholarly understanding of the development of insurance. When I first began work on reinsurance in the early 1990s, some colleagues expressed their amazement that the Swiss Re had welcomed me so generously into their corporate archive. Its enlightened attitude belied the traditional image of Swiss financial institutions as secretive and hostile to outside researchers. Since then, the company's archive has been reorganised to make it one of the best in the world. Several workshops and conferences have been supported that have helped to create a global network of scholars working on insurance history. Now we have the second of three edited books that the company commissioned in connection with its 150th anniversary, celebrated in 2013. This volume consists of a short introduction by James (designated editor), three chapters by Borscheid, Gugerli and Straumann, an appendix that includes annual series of company income and results back to 1864, plus 88 coloured and black-and-white illustrations of aspects of insurance worldwide and the history of Swiss Re itself.

In an interesting essay on the 'insuring instinct', James characterises the history of insurance as a continuing struggle between different institutions over the boundaries of insurability, a struggle determined by changing perceptions of risk, increased organisational skills, the evolution of corporate structures and the influence of governments on investment risks and returns. He describes well how the securitization of risk since the 1990s has enormously increased the capacity of insurers to cover the losses associated with major disaster events. His claim, however, that

the «history of insurance is also the history of the joint-stock company» (p. 8) is less convincing, ignoring as it does the competitiveness of mutual forms of insurance throughout the nineteenth and twentieth centuries, as recent research on life insurance has shown.

As might be expected from an expert in the field, Borscheid provides an accomplished guide through the history of insurance since the eighteenth century, set against the development of the first (pre-1914) and second (post-1980) global economies. His leitmotif is the gradual emergence of a global 'safety net' provided by insurance. This, he argues, came about through the eventual convergence of three regional networks - agglomerations of insurance providers - centered on Europe, North America and East Asia, respectively. These networks in turn developed as insurance exports, led initially by British companies and assisted by revolutions in transport and communications, followed the flows of international trade and migration. A novel feature of Borscheid's chapter is the attention that he gives to the obstacles posed to the penetration of modern insurance, not just by the many varieties of state intervention, protectionism and isolationism that emerged between the 1930s and 1970s, but also by traditional religious and cultural attitudes and non-insurance forms of risk pooling that continue to prevail, particularly in the Middle East and Africa. There is surely a promising research agenda here for scholars wishing to explore the changing and contested interface between 'western' forms of actuarial insurance and non-western forms of risk reduction.

Gugerli describes the roles of organisation and cooperation in the development of professional reinsurance - that is reinsurance sold by specialist reinsurance companies rather than by other providers. He identifies three phases. The first, comprising the century to 1960, saw reinsurance dominated by the needs of direct insurers, with only limited attempts at formal cooperation between reinsurers. The second phase, covering the 1960s and 1970s, was marked by structural crisis, larger and more complex risks, and inflation that rendered reinsurance pricing more unpredictable. This stimulated greater coop-

eration, an emphasis on mathematical risk modelling, and a more detailed classification of risks by region and market. The third phase, commencing in the 1980s, was characterised by the opening of global markets, the application of supranational regulation, heightened competition, mergers and acquisitions, more sophisticated catastrophe risk modelling, and the diversification of reinsurers into asset management and alternative risk transfer products. The greater part of Gugerli's chapter is devoted to the period since 1960, and here he delivers the best account to date of the complicated challenges facing the modern reinsurance industry. His history of the earlier period is less sure-footed. Notably, a health warning should be issued about Gugerli's estimates for the number of insurance companies worldwide (p. 155), which are certainly much too low. His figure for 1850, for example, is 306 companies in 14 countries, when the US and UK together had at least 300 fire, life and transport insurers at that date.

The final chapter by Straumann provides a concise, albeit too brief, account of the history of the Swiss Re. Four eras are identified. Confusingly, none of these match onto the phases highlighted by Gugerli. Two surges of growth occurred in the first era, from the company's foundation in 1863 to the Great Depression. The second era to 1945 was marked by considerable political and economic obstacles to expansion. During the third era from the end of World War Two to 1990, growth resumed, but Swiss Re operated in a narrower range of markets and lines of insurance than before the war. Investment returns increasingly became an essential counter-weight to losses made on underwriting. The fourth era, from the early 1990s to the present, saw a radical change in strategy. Most of the Swiss Re's holdings in direct insurance companies were sold, the business was refocused on reinsurance and new risk transfer and asset management products, and its global operations were harmonized under the 'Swiss Re' brand. Straumann argues that instability and uncertainty was a constant challenge throughout these different eras. The answer to the key question - about the longevity and success of the Swiss Re - appears to lie in the quality

of corporate decision-making, together with the periodic willingness of managers to embrace radical reorganisation and to improve their company's skill set and specialisation of tasks.

This is a pioneering though not flawless book. Only two of the four chapters focus on reinsurance, so to that extent the subtitle is rather misleading. Indeed, the four chapters are only loosely connected and may be easily read as separate essays. Furthermore, given the richness of the company's archive, it seems a pity that Straumann was not given greater space to develop a fuller analysis of the Swiss Re experience, for not all questions raised by the material are fully answered here. That said, with global insurance premiums today amounting to US\$4.8 trillion, over six per cent of world GDP, this book represents a valuable contribution to our understanding of one of the most important industries of modern times.

Zitierweise:

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