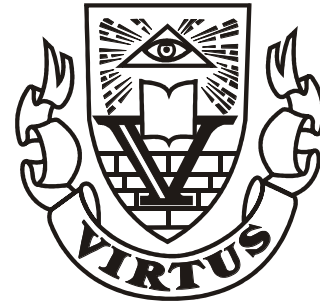


RISK GOVERNANCE & CONTROL: Financial markets and institutions

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Wim Weterings

In this study the contribution is intended to provide more clarity and to demonstrate that under certain circumstances an insurance captive can have important efficiency effects and, among other things, a positive effect on moral hazard and adverse selection. For the purpose of acquiring more information on insurance captives and their operation, literature research was augmented by interviews conducted with the director of an insurance captive of a Dutch multinational, as well as with representatives from AON and Marsh, two major insurance brokers/consultancy firms in risk management that are often involved in the establishment and management of a captive.

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Christopher Bronk

Cyber security is an issue of foremost interest for policy makers in the world's governments, corporations, NGOs, academic institutions, and other associations, however remedy for the myriad cyber threats and vulnerabilities continues to elude technologists and policy makers alike. In this paper, we consider the concept of cyber risk intelligence, a general concept of understanding the varied phenomena that impact an organization's capacity to secure its digital communications and resources from eavesdropping, theft or attack. We also consider the deeper economics of information held and transmitted in digital form and how those economics may alter thinking on modeling of risk. Finally, we offer guidance of how organizations and entire sectors of business activity may want to alter their thinking on cyber security issues beyond a technological framing to an informational one aligned with business activities.

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Faten Ben Bouheni

This article applies the Generalized Method of Moments technique for dynamic panels, using bank-level data for the selected European countries over the period 2005 to 2011, to investigate the impact of regulation and supervision on risk taking. Three conclusions are reached. First, in France, Germany and UK, restriction on bank activities boosts banking stability. However, supervisors' power and capital adequacy encourage risk taking. Second, in Italy, Greece and Spain, we find that with more supervisors' power, largest banks tend to take greater risks, and strengthening regulation and supervision weakens the bank's stability. However, the capital requirements decrease the risk taking. Third, strengthening regulatory and supervisory framework, and compliance with Basel principles enhance financial stability in Europe. These different results between European countries show that the application of regulation and supervision depends on the monitoring mode and the rhythm of application of regulatory policies.

THE UNDERWRITING PROCESS OF ENGINEERING INSURANCE IN SOUTH AFRICA

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D K Murphy, F J Mostert, J H Mostert

Engineering insurance covers damage to plant, machinery and other engineering equipment such as boilers, computers, cranes and lifts. The underwriting process of engineering insurance is therefore complex as different types of risks from a big variety of industries are involved. The underwriting process of engineering insurance often requires specialists such as engineers to identify and analyse the particular risks.

The objective of this research paper focuses on the improvement of financial decision-making regarding the underwriting process of engineering insurance. Secondary as well as primary data were necessary to reach this objective. The secondary data addressed the underwriting process of engineering insurance as well as the underwriting factors which should be considered by the short-term insurers when they are underwriting engineering insurance.

The empirical study embodied an opinion survey which included the top 10 South African short-term insurers which underwrite engineering insurance. As they are the market leaders in this country concerning engineering insurance, due attention was paid to obtain their perceptions regarding the importance of the underwriting factors of engineering insurance, the problem areas which the respondents encounter during the underwriting process, as well as how often the respondents need to adjust the policy stipulations to take the underwriting factors into account. As South Africa is a developing country and has an emerging market economy, the conclusions of this study should also be valuable to other countries which are classified similarly.

THE UNDERWRITING PROCESS OF LIABILITY INSURANCE IN SOUTH AFRICA

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S E Anderson, F J Mostert, J H Mostert

Liability risks may embody far-reaching financial consequences for individuals, business enterprises and professional people. This paper focuses on the underwriting process which should be taken into consideration by short-term insurers when they are underwriting the main types of liability insurance, which include employer's, householder's, personal, product, professional and public liability insurance.

The improvement of financial decision-making by short-term insurers when underwriting liability insurance represents the objective of this research. A study of secondary data was done to identify the existing literature, which formed the basis for compiling a questionnaire to obtain primary data. The top 10 short-term insurers which are the market leaders of liability insurance in South Africa and who received more than 85% of the annual gross written premiums for liability insurance in South Africa, represented the sample of the empirical study.

This paper highlights the importance of the underwriting factors concerning liability insurance, how often the stipulations of insurance policies should be adjusted by the short-term insurers to account for the underwriting factors, as well as the problem areas which the underwriters may experience when they are underwriting liability insurance. Possible solutions to solve the problem areas were also addressed.

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