

ance. *Insurance: Mathematics & Economics*, December 1994, 15(2/3): 187-201. (Reprinted with permission of North-Holland Publishing Company.)

### Insurer Markets

#### ***Evidence of Capacity Constraints in Insurance Markets***, by Anne Gron

Empirical support is found for the primary predictions of capacity constraint theories of property-casualty insurance cycles. The primary implications concern industry capacity and the difference between the price of insurance and noncapital costs, referred to as the price-payment margin (PPM.) Capacity constraint theories predict that low capacity will lead to higher PPMs and that capacity growth will follow PPM increases as insurers rebuild capacity. Price-payment margin and capacity series are constructed using industry time series for 1949-1990. The estimation finds that PPM growth varies inversely with capacity at the beginning of the period and also inversely with changes in capacity. *Journal of Law and Economics*, October 1994, 37(2): 349-377. (Reprinted with permission of ABI/Inform, Copyright UMI.)

### Ruin Theory

#### ***A Note on the Solution of Practical Ruin Problems***, by F. De Vylder (UCL, Louvain-la-Neuve, Belgium) and M. J. Goovaerts (K. U. Leuven, Belgium)

An algorithm is presented in order to solve numerically all practical ruin problems mentioned by Howard Waters in his Monte Verita lecture of 1993. Severity of ruin, interest, dividends, varying severity loadings,...can be taken into account. *Insurance: Mathematics & Economics*, December 1994, 15(2/3): 181-186. (Reprinted with permission of North-Holland Publishing Company.)

#### ***Cramér-Lundberg Approximations for Ruin Probabilities of Risk Processes Perturbed by Diffusion***, by H. Schmidli (Heriot-Watt University, Riccarton, Edinburgh, Scotland)

In the present paper risk processes perturbed by diffusion are considered. By exponential tilting the processes are imbedded in an exponential family of stochastic processes, such that the type of process is preserved. By change of measure techniques asymptotic expressions for the ruin probability are obtained. This proves that the coefficients obtained by Furrer and Schmidli (1994) are the adjustment coefficients. *Insurance: Mathematics and Economics*, May 1995, 16(2): 135-140. (Reprinted with permission of North-Holland Publishing Company.)

### Safety and Loss Control

#### ***Safety at What Price?*** by Walter Y. Oi (University of Rochester)

Overall exposure to risk can be controlled through choices in the market which reveal the implicit personal prices for safety. Externalities and imperfect

information may result in unacceptable risks. Policies to regulate safety adopt a static welfare model in which a regulation is presumably welfare improving if the cost per expected life saved is less than the value of life. This model ignores the fact that risk-taking involves a choice over time. The sum of expected utilities has to be discounted at the rate of time preference of risk-takers. The existence of an optimal level of safety has to be rejected and replaced by a Schumpeterian model which can deal with a changing mix of risks over time, a point that was made by Aaron Wildavsky (1988). *The American Economic Review*, May 1995, 85(2): 67-71. (Reprinted with permission of *The American Economic Review*.)

***Group Influences Upon Preferences for Personal Protection: A Simulation Study***, by Graham L. Bradley (Griffith University, Queensland, Australia)

To explore the possible influences that work groups have upon their members' safety-related behavior, this research simulated small-group discussions of an industrial safety issue. The experimental task required 96 subjects to select, from a range of seven graded options, the level of personal protection they wished to adopt while performing a series of mechanical operations under adverse conditions. Subjects made their own private selections of personal protection, contributed to a group consensus selection, and then made a final private selection. As predicted, subjects' preferred self-protective behaviors shifted after group discussion, becoming simultaneously more risky, more homogeneous, and more confident. However, little support was obtained for a hypothesized polarization of preferences following group interaction. *Journal of Safety Research*, Summer 1995, 26(2): 99-103. (Reprinted with permission of *Journal of Safety Research*.)

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