Introduction: Aim and Structure of the Book

Corporate scandals at the beginning of 2000s and the global financial crisis triggered by subprime mortgages in summer 2007 have renewed the attention of academics, regulators and practitioners on agency problems and their possible solutions, especially in the financial services sector. New regulations and international corporate governance standards have emerged in the attempt to guarantee a prudent and sound management. A large number of studies have examined the link between corporate governance, performance and risk-taking. Most of this attention has focused on the banking sector, probably because of the central role played by banks in the global financial crisis. Citing the Liikanen report (2012, p. 105): ‘Governance and control is more important for banks than for non-banks, given the former’s systemic importance, ability quickly to expand and collapse; higher leverage; dispersed ownership; a predominantly institutional investor base with no strategic/long-term involvement; and, the presence of (underpriced) safety nets.’

The distinctive aspect of this work is the focus on the insurance industry, instead of the banking sector: the former is probably less ‘dangerous’ from a systemic point of view (see Section 2.2 for more discussion on this point). However, the two sectors are often strictly interconnected and undoubtedly share some very relevant features, such as the need to contain managerial discretion with the right incentive schemes and the importance for sound risk management practices to avoid excessive volatility in the financial system and to protect customers, increasingly vulnerable to the complexity of financial markets and instruments. Consistently with this view, this book aims to fill in a relevant financial literature gap, satisfying the need for a comprehensive and systematic view on corporate governance issues in the insurance industry.

Is it possible to identify some ‘golden rules’ for the insurance corporate governance? Are insurance companies systemically relevant? Is the existing regulation proper to protect customers and guarantee financial stability? Is it necessary to rethink regulation and supervision? This book aims to provide some answers to these crucial questions, without claiming to be exhaustive or to provide optimal solutions. The basic idea is to merely examine the recent regulatory interventions on insurance corporate governance through the lenses of academic studies. The objective is to understand whether regulation is consistent with the economic and financial theory and, more