

Search



Home > The Geneva Papers on Risk and Insurance - Issues and Practice > Article

# Government Intervention through an Implicit Federal Backstop: Is There a Link to Market Power?

Original Article | Published: 15 April 2015

Volume 40, pages 538–555, (2015) Cite this article



The Geneva Papers on Risk and

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

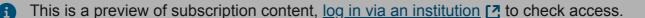
You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

- > Store and/or access information on a device
- Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies



#### Access this article

#### Log in via an institution $\rightarrow$

#### Subscribe and save

Springer+ from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

#### Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

**Accept all cookies** 

Reject optional cookies

#### **Explore related subjects**

Discover the latest articles, books and news in related subjects, suggested using machine learning.

<u>Capital Markets</u> <u>Economic Policy</u> <u>Fiscal Policy</u> <u>Fiscal Law</u> <u>Insurance</u>

**Public Finance** 

#### **Notes**

1. Merton (1977).

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

line with the underwriting, pricing and price monitoring behaviors of their competitors". The GAO report did not indicate whether AIG's business losses were mitigated by pricing strategies.

- 7. Even though AIG's difficulties stemmed from operations in the AIG Financial Products division, the apparent perception by some competitors was that the bailout would provide capital relief company-wide, as noted by Mr. Kelly.
- 8. <u>Keeley (1990)</u>.
- 9. Much of the money AIG received was used to offset losses from their Financial Products division. However, the moral hazard problem created by the TARP funds is independent of funds deployment. That is, it is the existence of the

#### Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

**Accept all cookies** 

Reject optional cookies

- 16. Shrieves and Dahl (1992).
  - 17. Cummins and Sommer (1996).
  - 18. Baranoff and Sager (2002).
  - 19. Lin et al. (2014).
  - 20. Cheng and Weiss (2013).
  - 21. Samuelson and Zeckhauser (1988).

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

**Accept all cookies** 

Reject optional cookies

- 29. Cummins (2002).
- 30. <u>Cummins and Weiss (1991)</u>.
- 31. These data are obtained from the Federal Reserve Economic Database housed at the St. Louis Federal Reserve Bank.
- 32. Cotterill (1986).
- 33. The inverse HHI does not give the exact number of firms in the market, but rather is the number of firms that would be in the market if each firm had

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

**Accept all cookies** 

Reject optional cookies

AIG for each line of business. We identified only a few differences in pricing behaviour related to market concentration during the bailout period, but we also found significant differences between models between the two subsamples for most of the business lines. The differences between models suggest that AIG's pricing behaviour differs from that of other carriers over time, but there is no systematic evidence that AIG took advantage of its bailout funding to increase its market share in competitive markets. Results of these tests are available from the authors upon request.

#### References

Bain, J.S. (1951) 'Relation of profit rate to industry concentration: American manufacturing, 1936–1940' The Quarterly Journal of Economics 65 (3): 293–324.

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

**Accept all cookies** 

Reject optional cookies

Cotterill, R.W. (1986) 'Market power in the retail food industry: Evidence from Vermont', The Review of Economics and Statistics 68 (3): 379–386.

**Article Google Scholar** 

Cummins, J.D. (ed.) (2002) Deregulating Property-Liability Insurance: Restoring Competition and Increasing Market Efficiency, Washington, DC: AEI-Brookings Joint Center for Regulatory Studies.

**Google Scholar** 

Cummins, J.D. and Danzon, P.M. (1997) 'Price, financial quality, and capital flows in insurance markets', Journal of Financial Intermediation 6 (1): 3–38.

Article Google Scholar

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

**Accept all cookies** 

Reject optional cookies

Keeley, M.C. (1990) 'Deposit insurance, risk, and market power in banking', The American Economic Review 80 (5): 1183–1200.

**Google Scholar** 

Lin, W.-C., Lai, Y.-H. and Powers, M.R. (2014) 'The relationship between regulatory pressure and insurer risk taking', The Journal of Risk and Insurance 81 (2): 271–301.

**Article Google Scholar** 

Merton, R.C. (1977) 'An analytic derivation of the cost of deposit insurance and loan guarantees An application of modern option pricing theory', Journal of

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

**Accept all cookies** 

Reject optional cookies

Journal of Risk and Uncertainty 1 (1): 7-59.

**Article Google Scholar** 

Shrieves, R.E. and Dahl, D. (1992) 'The relationship between risk and capital in commercial banks', Journal of Banking & Finance 16 (2): 439-457.

**Article Google Scholar** 

Stigler, G.J. (1964) 'A theory of oligopoly', The Journal of Political Economy 72 (1): 44–61.

Article Google Scholar

Weiss, M.A. and Choi, B.P. (2008) 'State regulation and the structure, conduct.

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

W.A. Franke College of Business, Northern Arizona University, 20 W. McConnell Dr. Flagstaff, 86005, AZ, U.S.A.

# Rights and permissions

Reprints and permissions

James I Hilliard

## About this article

#### Cite this article

Eckles, D., Hilliard, J. Government Intervention through an Implicit Federal Backstop: Is There a Link to Market Power?. *Geneva Pap Risk Insur Issues Pract* **40**, 538–555 (2015).

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

**Accept all cookies** 

Reject optional cookies

Find a journal
Publish with us
Track your research
Your privacy, your choice
We use essential cookies to make sure the site can function. We, and our 92 <u>partners</u> , also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.
By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our <b>privacy policy</b> for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.
You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.
We use cookies and similar technologies for the following purposes:
Store and/or access information on a device
Personalised advertising and content, advertising and content measurement, audience research and services development
Accept all cookies
·

Reject optional cookies