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Resilience, not protection gap, should be industry's focus

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As the (re)insurance industry partners governments to protect the poor and vulnerable from major risks and disasters, their aim should centre on raising countries' resilience, as opposed to a focus on the 'protection gap'.

Addressing delegates at the recent 9th International Symposium on Catastrophe Risk Management, organised by the Institute of Catastrophe Risk Management (ICRM), Nanyang Technological University in Singapore, former Aon Benfield Asia Pacific CEO and ICRM international advisory board member Malcolm Steingold questioned if the term 'protection gap' was an "invention by insurers and reinsurers borne out of frustration of not being able to increase the global general insurance pool with increased insurance penetration, particularly in developing economies."

While he noted the need for a common understanding of the lack of protection in many countries, the protection gap remains relatively subjective and difficult to quantify and that "focusing on the protection gap [could] detract from what the main objective ought to be." He suggested that the quantification of success in closing the protection gap should not be limited to "simplistic analysis of insurance penetration rates" although penetration rates still count as a significant indicator.

Success in closing the protection gap, Mr Steingold offered, is a highly developed state of resilience rather than a high rate of insurance penetration per se. "Success should be measured by how quickly a society is able to recover and prosper from its pre-disaster state. It should also be seen from the perspective of the victims of natural catastrophes."

He added that each Nat CAT 'throws up a substantial body of learning' and the challenge is to apply the knowledge towards increasing resilience in both developing and developed markets. "I question how effectively this has been done and perhaps success is translating this knowledge into increased resilience against future natural disasters."

Meanwhile, Stanford University professor emeritus and ICRM international advisory board chairman Haresh Shah challenged the industry to "innovate [on insurance products] in Asia, for Asia." The insurance veteran offered a relatively provocative observation that the (re)insurance industry still lacks imagination and understanding of Asia –

particularly emerging markets – and is why protection gaps occur.

The industry, he said, still does not have a "truly innovative product" as what has been done so far is just adapting products developed in the west for this region. He questioned how many have "taken socioeconomic, political factors" into account when developing insurance products for Asia, adding that "microinsurance does not count" given it is not sustainable as a business.

Notwithstanding, Willis Towers Watson head of capital, science and policy practice and ICRM international advisory board member Rowan Douglas noted that despite the overwhelming scale of the challenge that the (re)insurance industry faces in increasing global resilience, one can also be encouraged by the scale of response that various countries and stakeholders have embarked on in working together for a better and more resilient world. He noted in particular that Singapore stands to play a crucial role in the immediate future as a (re)insurance and innovation hub in furthering the global and regional resilience agenda.

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