

CHANGING PERCEPTIONS OF RISK

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Abstract

The very existence of insurance companies, whatever their specific market niche, is wholly dependent on risk perceptions in the minds of prospective customers. If no risk is perceived there is no need for evasive action, no need for “hedging”, and indeed no need for any form of insurance in the formal or informal senses of the word.

The risk thermostat of the *person* on the Clapham omnibus is certainly being recalibrated as the new millennium progresses. By understanding the factors that influence risk perception, at the individual and community levels, we can observe how it has changed over time. In the current climate the factors that influence the variability and fluidity of risk perception, and hence drive the decision to insure or not to insure, have become more overt than ever before. How individuals *manage* risk and attempt to make the unacceptable acceptable, or at least tolerable, by using the monetary hedge that insurance provides, must be a factor that concerns the commercial domain.

This paper is structured around a broad discussion of the literature relating to the inter-woven issues of risk, changing perceptions of risk over time, its classification, and its management in the social rather than the scientific context.

Introduction

It has always been possible by taking an overview of changing technology and human behavior over the past one or even five hundred years to identify the drivers that have influenced changing perceptions of risk. Such factors as culturally founded beliefs, religious practice and scientific knowledge, can be seen to have impacted on peoples’ responses, or lack of response, to situations that we now know to be inherently dangerous or alternatively, inherently safe from our contemporary point of view. For example, what is known as the *miasmatic theory*, held sway for centuries. In a nutshell, “if it stinks its dangerous”. This theory informed, or misinformed for the most part, public and personal responses to the management of significant “health

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