

INSURERS' RESPONSE TO THE CHANGED NATURE OF RISK

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Abstract

The insurance function is to spread across a wider community the loss suffered by insured victims, thus enabling individuals to get on with their lives and enabling organisations and nations in their struggle for economic growth. Insurance is a method of financial reimbursement, but is also part of the wider field of Risk Management which includes evaluation of risk, loss control, and financing of risk.

This relief to victims of misfortune, through reimbursement of financial loss, has been developing for centuries, the experience producing tested processes and techniques which change over time. But in this decade awful events have occurred on a scale not previously recorded. Hurricane Katrina in USA in 2005 is the costliest insurance event on record, greater than the previous record of the terrorist use of aeroplanes as bombs in USA in 2001. There is an expanding universe of risks, and a definite increase in natural disasters. The nature and scope of risk is changing rapidly, and is sorely testing the ability of the insurance community to keep pace. The challenges are insurability, solvency/capacity, and the human resources needed to match these challenges with their skills and plans.

This article will describe the changing nature and extent of risks, and what is being done, and could be done, to meet the challenges.

Introduction

Violence and disaster have always been part of the human situation, but this first decade of this new millennium is increasingly disaster-prone. Earthquake and Tsunami, Storm and Flood, Disease and Virus are our fears in addition to man-made disasters including terrorism. Perhaps

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