Review of *Disaster Insurance Reimagined*

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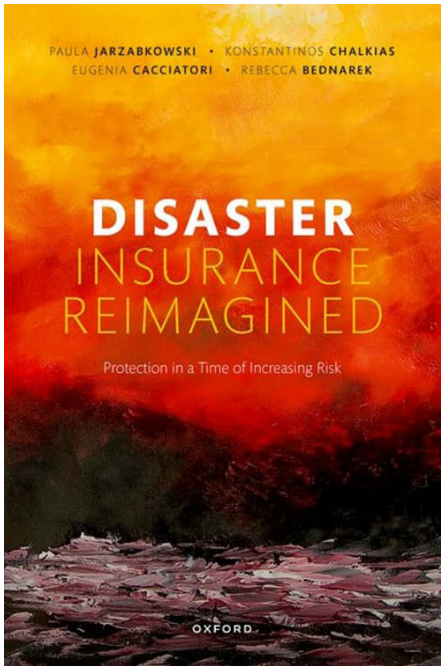
A warming climate will bring more extreme weather to a world in which the population, and the buildings and infrastructures it needs, are increasingly concentrated in urban centers located in flood plains, coastal areas, and other risky locations. Who will pay for the escalating losses that disasters will bring in such a world? Already, insurance is becoming unavailable or unaffordable in many areas at risk, for example in parts of California and Australia. The 'protection-gap', the difference between the economic losses of disasters and the share of those losses that are covered by insurance, which already is a considerable problem, is only likely to grow. Even when insurance is available to finance reconstruction, how do we ensure that rebuilding will facilitate adaptation, rather than putting things back as they were until the frequency and magnitude of losses make financing reconstruction impossible?



Disaster Insurance Reimagined is a timely book, available in open access, written by Paula Jarzabkowski, Konstantinos Chalkias, Eugenia Cacciatori and Rebecca Bednarek, that addresses these questions on the basis of a five-year study of 17 'Protection Gap Entities' (PGEs) - not-for-profit entities that provide insurance in 49 countries. These PGEs, typically developed as collaborations between governments and the insurance industry, enable insurance to continue at a time when climate change, urbanization, global interdependence, and geo-political instability are making disaster insurance increasingly expensive or unavailable. Around the world, PGEs and the insurance instruments they use are becoming increasingly crucial in making sure that funds are available to rebuild after disasters.

Drawing on paradox theory and on practical examples from PGEs in different countries, the book offers a framework to understand how uninsurability emerges and how PGEs remedy it. In chapter 1, the authors explain how insurability exists in the sweet spot in which three core tensions (or paradoxes) balance. The paradox of knowledge means that insurance cannot exist when knowledge is absent and losses cannot be estimated, nor when losses are certain, but only in the grey areas in which only partial knowledge is available. The paradox of responsibility means that insurance exists in a zone where individual responsibility for the losses of disaster balances collective responsibility, so that the premium of the many can pay for the losses of the few. Finally, in the paradox of control, insurance can operate in a zone in which government control over the insurance market, in the form of various interventions, balances industry control, so that insurance can be sold for a profit. Chapter two explores how imbalances in the knowledge paradox are at the origin of various PGEs around the world, and how PGEs restore insurability by ignoring either the excess of knowledge or its lack. For instance, climate change and increasingly powerful modelling mean that losses for properties in areas at high risk of flood are becoming increasingly certain, leading to an imbalance in the knowledge paradox that means flood, for those properties, is no longer insurable. PGEs then can step in, ignore this excessive knowledge, and insure these properties despite the fact that are known to be at high risk. However, the three paradoxes need to balance not only internally, but also in relation to each other. So, a new balance in the knowledge paradox requires new balances in how responsibility is allocated between the

individual and the collective, and how control of the market is shared between the government and the industry. Chapter 3 and 4 explore how different PGEs find different balances across these paradoxes in order to restore insurability. Chapter 5 then addresses the question of how PGEs can be designed so as to facilitate resilience and adaptation, explaining how their work can, but does not always, improve financial and physical resilience to disaster. Chapter 6 concludes by drawing the implications for a reimagined disaster insurance that can help us address the challenges of climate change.

The book provides an accessible discussion of disaster insurance, its complexities, and the transformation it needs to undergo in order to remain relevant and to contribute to meaningful disaster protection. PGEs and their work offer a path to re-imagining disaster insurance as a key tool in an ecosystem that has societal protection from disaster at its heart.