Social Safety Net and Role of Insurance Industry

The efforts to improve the social safety-net by combining public safety-net and private one have been intensified since the late 1970s. International think tanks and organizations have actively promoted the rationale that markets are more efficient than states at distributing resources and regulating the economy. It is anticipated that public components may play less roles in the whole social safety-net and that more room for private components may be made.

There exist a few good reasons that the development of private safety-nets are promoted to offset cutbacks in or - to prevent the expansion of - public provisions. First of all, many people are still excluded from the public safety-net. Although close attention has been paid to these matters, a number of efforts have failed due to limited resources which can be mobilized in public safety-net. In addition, a number of experts raise concerns about unfavorable demographic pressures on long-term government financial burden. It is claimed that dependency ratios, the ratio of recipients to payers, would weaken to the point that the public safety-net would be unsustainable.

As an alternative to public ones, the application of private insurance solutions to social safety-net has been promoted. The idea of a growing reliance on private insurance has gained traction in this era of fiscal austerity. The quest for the greater reliance on private insurance would be legitimized by the general consensus among the public, policy makers and insurance industry.

More systematic comparative research may offer unique, crucial insights into understanding why and how the public-private collaborations supported by insurance industry could improve the social welfare. An overarching objective of this report is to address important issues related to policy design.