

Seminar for Insurance Economics

Wintersemester 2003/04

Insurance Markets: Course Outline

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Part 2. Florian Englmaier

For topics 3., 4., and 5 I want to have students presenting papers in class. These presentations then should be a starting point for discussions on the topic.

1. Adverse Selection.

The Rothschild–Stiglitz–Model. Existence of an Equilibrium. Categorical and Endogenous Discrimination. Application: Genetic Testing. Multiperiod Contracts.

Reading:

* Rees R., Schlesinger H. and Wambach A., *The Economics of Insurance Markets*, Manuscript, 2003.

2. Moral Hazard.

The contractual solution. Loss Prevention. Loss Reduction. Insurance Fraud.

Reading:

* Rees R., Schlesinger H. and Wambach A., *The Economics of Insurance Markets*, Manuscript, 2003.

Rubinstein A. and Yaari M.E., *Repeated Insurance Contracts and Moral Hazard*, Journal of Economic Theory (1983), pp. 74–97.

3. An Empirical Assessment of Information Problems.

Reading:

* Chiappori P.A., *Econometric Models of Insurance under Asymmetric Information*, in Handbook of Insurance (Dionne, ed.)

Chiappori P.A. and Salanie B., *Testing for Asymmetric Information in Insurance Markets*, Journal of Political Economy (2000), pp. 56–78

Finkelstein A. and Poterba J., *Adverse Selection in Insurance Markets: Policyholder Evidence from the U.K. Annuity Market*, NBER Working Paper 8045, December 2000

4. The Absence of an Insurance Market - Informal Risk Sharing.

Reading:

* Coate S. and M. Ravallion, *Reciprocity without Commitment: Characterization and Performance of Informal Insurance Arrangements*, Journal of Development Economics (1993), pp. 1 – 24.

Genicot G. and Ray D., *Group Formation in Risk-Sharing Arrangements*, Review of Economic Studies, forthcoming

Kimball M., *Farmer Cooperatives as Behavior Toward Risk*, American Economic Review (1988), pp. 224 – 232.

Kocherlakota N., *Implications of Efficient Risk Sharing without Commitment*, Review of Economic Studies (1996), pp. 595 – 609.

* Townsend R., *Risk and Insurance in Village India*, Econometrica (1994), pp. 539 – 591.

5. Insurance and Bounded Rationality.

Reading:

Camerer C. and Kunreuther H., *Experimental Markets for Insurance*, Journal of Risk and Uncertainty (1989), pp. 265 – 300

DiMauro C. and Maffioletti A., *The Valuation of Insurance under Uncertainty: Does Information about Uncertainty Matter?*, Geneva Papers on Risk and Insurance Theory (2001), pp. 195 – 224

* Machina M., *Non-Expected Utility and the Robustness of the Classical Insurance Paradigm*, Geneva Papers on Risk and Insurance Theory (1995), pp. 9 – 50

* most relevant reading for the chapter