

Seminar for Insurance Economics
Wintersemester 2001/02

Insurance Markets: Course Outline

Prof Ray Rees and Prof Achim Wambach

Part 1. Prof Rees

1. Introduction. Characteristics of an insurance market. Insurance markets in practice and in theory.

2. The demand for insurance. The expected utility model. Full coverage with a fair premium. Partial coverage: main comparative statics results. The superiority of deductibles. Insurance demand and background risk. State-contingent utility and "irreplaceable commodities".

3. The supply of insurance. Risk-pooling and risk-spreading. The Arrow-Lind Theorem. A theory of the insurance firm.

4. Equilibrium insurance contracts in a competitive market. The simple case without transactions costs. Transactions costs and the Raviv model. Efficiency properties of insurance market equilibrium.

5. Regulation of insurance markets. Forms of insurance regulation and recent developments. Theoretical models of insurance regulation.

Reading:

Gravelle HSE and Rees R. *Microeconomics*, Longman 1992

Dionne G. (ed) *Contributions to Insurance Economics*. Kluwer 1992

Dionne G and Harrington SE (eds) *Foundations of Insurance Economics* Kluwer 1992

Eeckhoudt E and Gollier C. *Risk: evaluation, management and sharing*. Harvester/Wheatsheaf 1995

Laffont JJ *The Economics of Uncertainty and Information*. MIT Press, 1989

Zweifel P and Eisen R. *Versicherungsökonomie*. Springer 2000