



Syllabus (6 ECTS)

Insurance Economics

Information

<u>Chair or Institute</u>	Institute for Risk Management and Insurance
<u>Lecturers:</u>	Prof. Dr. Petra Steinorth E-Mail: petra.steinorth@uni-hamburg.de
<u>Teaching Assistant:</u>	Timo Greve E-Mail: timo.greve@uni-hamburg.de
<u>Time & Location:</u>	Lecture: Thursday, 14:15 – 15:45, Wiwi A Tutorial: Biweekly, Wednesday, 14:15 – 15:45, WiWi 3136/3142 Lecture material and lecture videos will be provided via OpenOlat.
<u>Guest Lecture:</u>	tba.
<u>Class Period:</u>	April 6th - July 13th 2023
<u>Credits:</u>	6 ECTS
<u>Exam:</u>	A one hour written exam will be held on tba. To take the lecture and the exam, registration via STINE is mandatory .
<u>Cycle:</u>	Usually in the summer semester.

Main Objectives

- To obtain an overview of essential concepts in insurance economics
- To understand the implications of asymmetric information for insurance contracting
- To be able to explain and evaluate real-life insurance product design from an economic point of view

Description

This course deals with core concepts of the theory of insurance demand. After a review of essentials of decision theory, the optimal design of insurance products is addressed from an information economics point of view. Optimal risk sharing in a complete information setting is discussed as the benchmark case. The main emphasis is placed on principal agent problems due to superior knowledge of the insured. In particular, the class covers adverse selection, moral hazard and insurance fraud which heavily affect almost any real-life insurance market. Implications for product design as well as the interaction between insurance and other markets are analyzed.

Course Outline

Module 1: Selected Concepts of Decision Theory

Module 2: Optimal Insurance Demand

Module 3: Adverse Selection

Module 4: Moral Hazard

tentatively scheduled:

Module 5: Current Issues in Insurance Economics

Course Materials

Course materials are available in Stine and OpenOLAT.

Essential Readings

- Akerlof**, George A. (1970): The Market for Lemons: Quality Uncertainty and the Market Mechanism, *Quarterly Journal of Economics* 84: 488-500.
- Arrow**, Kenneth J. (1963): Uncertainty and the Welfare Economics of Medical Care, *American Economic Review* 53: 941-973.
- Holmström**, Bengt (1979): Moral Hazard and Observability, *Bell Journal of Economics* 10: 74-90.
- Nell**, Martin, Andreas **Richter**, and Jörg **Schiller** (2009): When prices hardly matter – Incomplete insurance contracts and markets for repair goods, *European Economic Review* 53: 343–354
- Picard**, Pierre (2000): Economic Analysis of Insurance Fraud, in: Dionne, G. (ed.): *Handbook of Insurance*, Boston, 315-362.
- Raviv**, Artur (1979): The Design of an Optimal Insurance Policy, *American Economic Review* 69: 84-96.
- Rothschild**, Michael D. and Joseph E. **Stiglitz** (1976): Equilibrium in Competitive Insurance Markets: An Essay in the Economics of Imperfect Information, *Quarterly Journal of Economics* 90: 629-649.
- Shavell**, Steven (1979): On Moral Hazard and Insurance, *Quarterly Journal of Economics* 4: 541-562.

Additional Readings

Additional readings are announced at the end of each module.