

Lecture “**Risk and Insurance**” for Bachelor students

Syllabus Summer Term 2019

The course is designed as a general introduction for students interested in pursuing topics related to risk and insurance in their future studies, career, or research. In a first block, it covers economic concepts of risk and uncertainty and different models of decision-making in risky environments. Afterwards, the value of insurance solutions for consumers and resulting issues for insurance demand will be discussed, before covering insurance supply and the behavior of insurance providers. Also incentive problems in insurance, in particular adverse selection and moral hazard, as well as potential solutions and technological developments will be covered.

The course has a strong behavioral focus, which means that besides understanding classical models, students should also learn about deviations of behavior from these theoretical predictions. The class is designed to be interactive, with active participation from students. Several practitioner talks are supposed to provide a real-world perspective on the relevance of the topic. These practitioner talks will be open to a more general audience (and will therefore usually be held on Tuesday evening).

Preliminary course schedule:

Lecture 1 (15.04.): Risk & Insurance: Introduction and Importance for the Economy

Lecture 2 (23.04.*): Risk & Uncertainty: Classical and Behavioral Models (1)

Lecture 3 (29.04.): Risk & Uncertainty: Classical and Behavioral Models (2)

Lecture 4 (06.05.): Risk & Uncertainty: Measurement of Individual Preferences

Lecture 5 (13.05.): Insurance Demand: Models of Rational Consumer Behavior

Lecture 6 (14.05.): Practitioner Talk: Microinsurance (Dirk Reinhard, Munich Re Found.)

Lecture 7 (20.05.): Insurance Demand: Deviations from Rational Consumer Behavior

Lecture 8 (27.05.): Insurance Supply: Models of Rational Provider Behavior

Lecture 9 (03.06.): Insurance Supply: Deviations from Rational Provider Behavior

Lecture 10 (11.06.*): Information Asymmetries: Adverse Selection

Lecture 11 (24.06.): Information Asymmetries: Moral Hazard

Lecture 12 (25.06.): Practitioner Talk: TBA

Lecture 13 (01.07.): Technology and New Insurance Models

Lecture 14 (08.07.): Q&A

* Note: Lecture shifted to exercise session slot on Tuesday due to public holiday on Monday

Exercise sessions will usually follow the Monday lectures each Tuesday and deepen the knowledge generated. They also provide an opportunity for group work and discussion. No exercise session will take place in the first week.

Course language:

The course will be held in English, but no perfect command of English is required. The teaching staff will account for the fact that most students are not used to English as a course language.

Recommended previous knowledge (no admission requirement):

Microeconomics I, Microeconomics II, Statistics

Examination:

Written examination (90 minutes). Participation in group work and exercises are a prerequisite for the exam. There will be no graded problem sets, but you might have to hand in results of some tasks / exercises.

Enrollment:

Please enroll via StudIP until April 30, 2019 to register and obtain all course information. Enrollment in FlexNow is mandatory until June 30, 2019 (deadline for withdrawal).

Literature:

Zweifel, Peter, and Roland Eisen. 2012. *Insurance Economics*. Berlin Heidelberg: Springer. doi:10.1007/978-3-642-20548-4.

Kunreuther, Howard, Mark V. Pauly, and Stacey McMorro. 2013. *Insurance and Behavioral Economics: Improving Decisions in the Most Misunderstood Industry*. Cambridge: Cambridge University Press. doi:10.1017/CBO9781139050319.

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