Poster title: CPT and insurance uptake

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Motivation: Promises of index insurance

- Basis risk
- Trust in the institution
- Maybe it is not about index insurance, but simply insurance
- Experiments about crop insurance decisions and risk attitudes
- Probabilities and decision weights
- Framed and unframed artefactual experiments in Pisco, Peru
- Preliminary results

An experiment framed as a crop insurance contract

Presented to 480 participating farmers as the yield distribution of a 5-hectare cotton parcels.
- Insurance premium = Actuarially fair price + 30% loading factor
- Incomes are in thousand Soles
- E(Income) = 21,000 Soles w/o insurance
- E(Income) = 20,600 Soles w/ insurance

Perceptions of probabilities

- Overweighting of small probabilities
- Underweighting of larger ones
- Cumulative Prospect Theory (Kahneman and Tversky, 1992)
- Probability weighting function by (Prelec, 1998)
  \[ w(p) = \exp(-\ln(p)^a) \]

Decision weights and insurance purchase

Preliminary results