Poster title: CPT and insurance uptake

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Decision weights and insurance uptake

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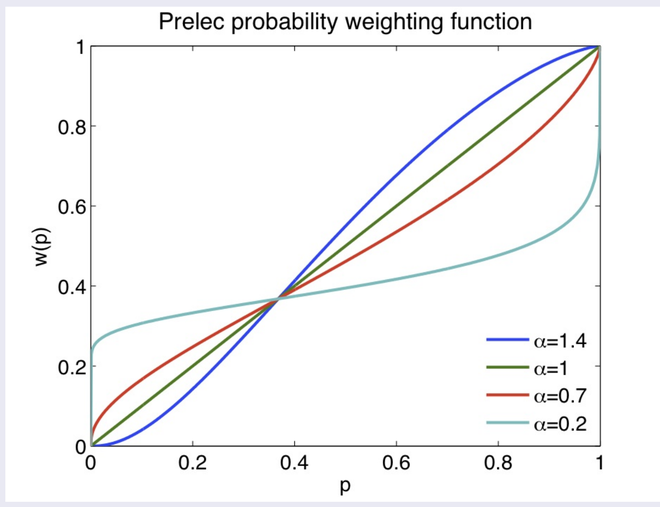
Motivation: Promises of index insurance

- 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

Perceptions of probabilities

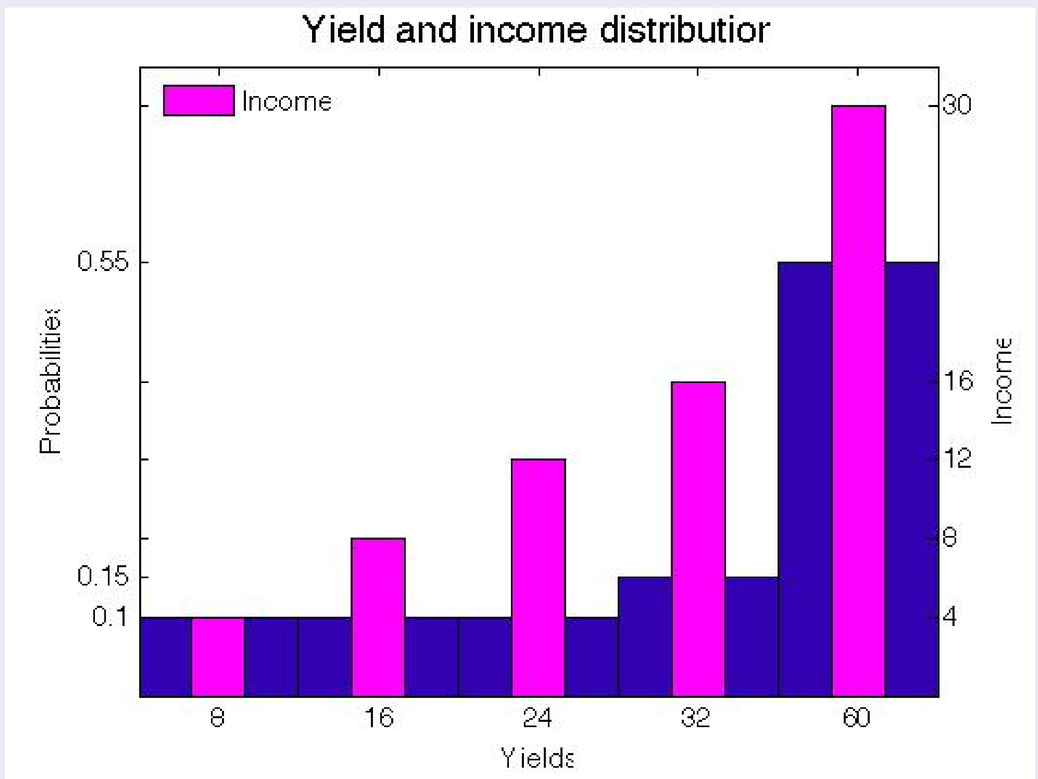
- Overweighting of small probabilities
- Underweighting of larger ones
- Cumulative Prospect Theory (Kahneman and Tversky, 1992)
- A test in Vietnam with lotteries by Tanaka, Camerer and Nguyen (2010)
- Probability weighting function by (Prelec, 1998)
- $w(p) = exp(-(-ln(p)^{\alpha}))$

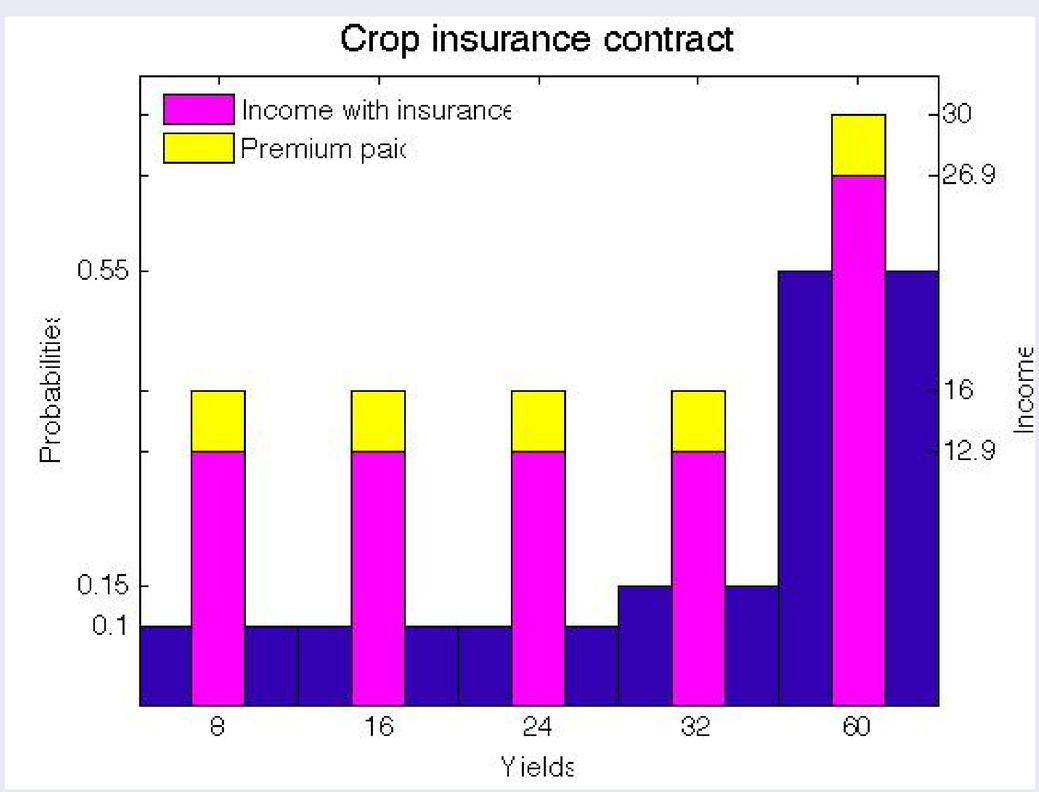


An experiment framed as a crop insurance contract

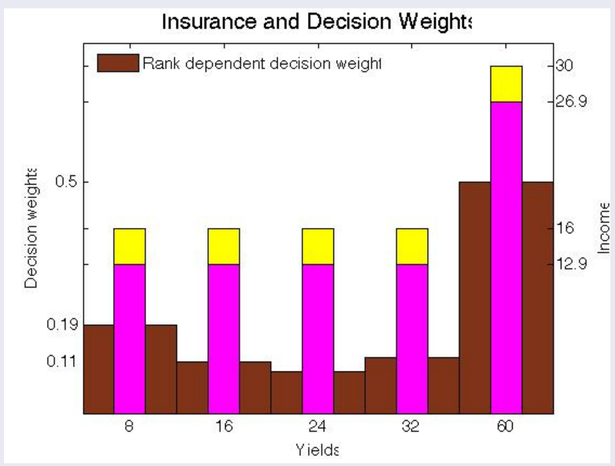
Presented to 480 participating farmers as the yield distribution of a 5-hectare cotton parcels.

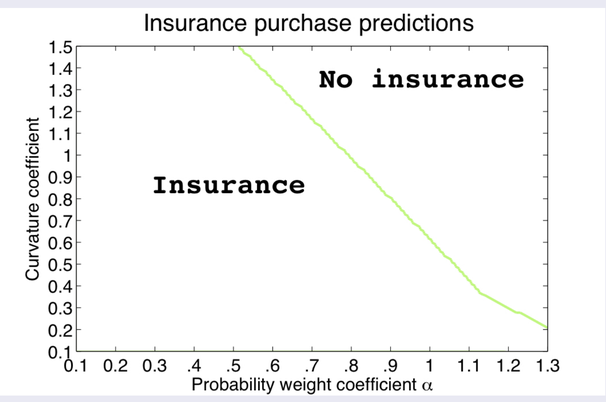
- Insurance premium= Actuarially fair price + 30% loading factor
- Incomes are in thousand Soles
- E(Income) = 21,000 Soles w/o insurance
- E(Income) = 20,600 Soles w/ insurance





Decision weights and insurance purchase





Preliminary results