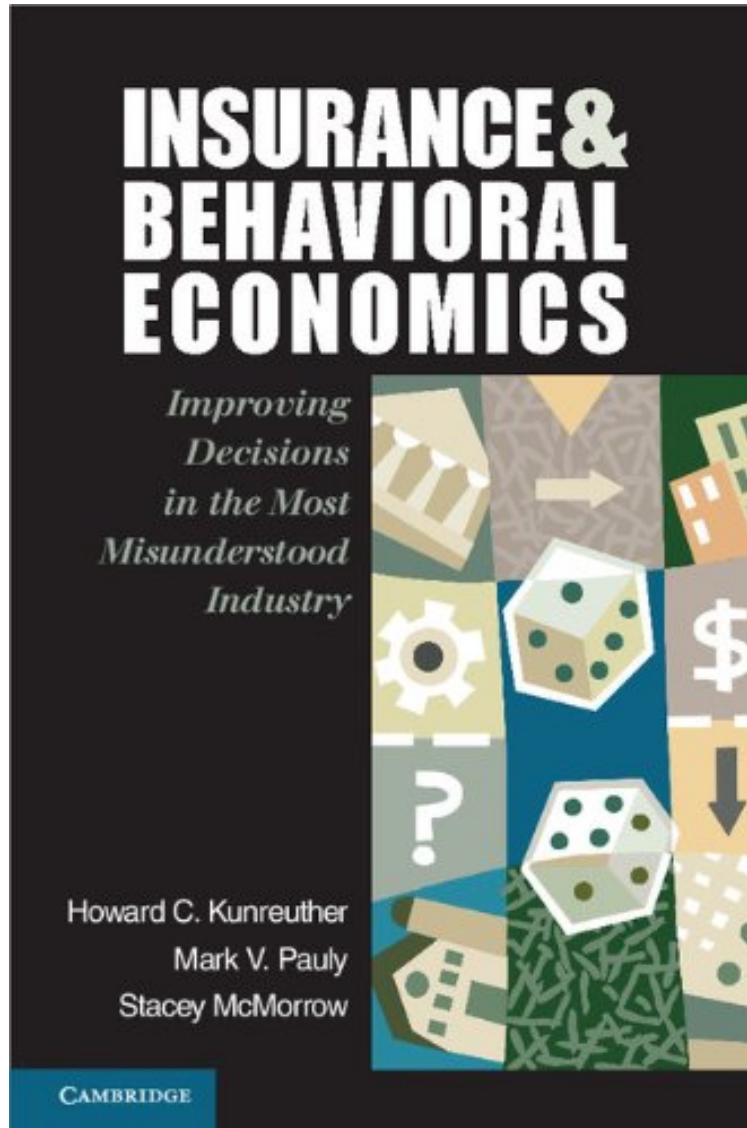


Insurance and Behavioral Economics

Howard C. Kunreuther, Mark V. Pauly, Stacey McMorro
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Howard C. Kunreuther, Mark V. Pauly, Stacey McMorro : Insurance and Behavioral Economics before purchasing it in order to gage whether or not it would be worth my time, and all praised Insurance and Behavioral Economics:

0 of 0 people found the following review helpful. Not much original contentBy FBA pretty basic review of the fundamental of insurance economics, with a rather light literature review. A timesaver if you need the bibliography, but don't expect any bleeding edge discussion.0 of 0 people found the following review helpful. Numbers?By QuiteEconSavvyAuthors speak of a lack of analytical decision making in the insurance industry and proceed to provide almost no data or statistics in argumentation.1 of 1 people found the following review helpful. An excellent

text, not too many student oriented quizzes, but informative. By Talley This book didn't dwell on the Behavioral Economics as much as I expected, but did present some thoughtful ideas on insurance and the management of insurance companies. A few to many times the authors thought of things as anomalies when a fine reason exists for things being done as they are.

This book examines the behavior of individuals at risk and insurance industry decision makers involved in selling, buying and regulation. It compares their actions to those predicted by benchmark models of choice derived from classical economic theory. Where actual choices stray from predictions, the behavior is considered to be anomalous. Howard C. Kunreuther, Mark Pauly and Stacey McMorow attempt to understand why these anomalies occur, in many cases using insights from behavioral economics. The authors then consider if and how such behavioral anomalies could be modified to improve individual and social welfare. This book describes situations in which both public policy and the insurance industry's collective posture need to change. This may require incentives, rules and institutions to help reduce both inefficient and anomalous behavior, thereby encouraging behavior that will improve individual and social welfare.

"For too many people insurance is a mystery not worth solving. The authors of *Insurance and Behavioral Economics* shed valuable light on insurance products and providers in an insightful examination for the benefit of consumers, analysts, and students of the business. Even the industry would be wise to study the authors' research, conclusions, and recommendations." Franklin Nutter, President, Reinsurance Association of America "A challenging and surprisingly engaging analysis of how insurance markets really function. You don't need to agree with all the analyses or recommendations - and I don't - to recognize that this book is going to be widely read and broadly influential among insurers and regulators." Leigh Ann Pusey, President and CEO, American Insurance Association "This book presents a brilliant analysis of the insurance industry as it exists today and will evolve tomorrow. Insurance is fundamental to everything we do: we can see in this book how we can make much better use of it, to improve all of our lives." Robert Shiller, Yale University "Insurance is a vital tool for managing risk, but it is misunderstood by consumers, regulators, and industry executives in ways that greatly reduce its effectiveness. In this superb book, Kunreuther, Pauly, and McMorow employ insights from behavioral economics to clarify these misunderstandings and point the way toward more rational use of insurance to enhance individual and societal welfare." Paul Slovic, University of Oregon and author of *The Feeling of Risk* "Regulators and policy makers have long known that consumers often make seemingly irrational choices when it comes to insurance. Drawing on behavioral economics, the authors provide a framework to understand insurance market anomalies - in both demand and supply - and to evaluate alternative policy prescriptions. Their work is a significant contribution to the discussion on how to best structure insurance regulation to the benefit of consumers and society." Terri M. Vaughan, Chief Executive Officer, National Association of Insurance Commissioners "Psychologically, it's hard for most of us to take the initiative on long-term, ill-defined risks. Three scholars - Howard C. Kunreuther and Mark V. Pauly of the University of Pennsylvania and Stacey McMorow of the Urban Institute - show this in their book. But they argue that if we're aware of them, these psychological impediments can be reduced, and they urge the innovation of long-term risk management contracts that address the problem of climate change." *The New York Times* About the Author Howard Kunreuther is the James G. Dinan Professor of Decision Sciences and Business and Public Policy at the Wharton School, University of Pennsylvania and co-director of the Wharton Risk Management and Decision Processes Center. He has a long-standing interest in ways that society can better manage low-probability, high-consequence events. Dr Kunreuther is a member of the World Economic Forum's Global Agenda Council on Insurance and Asset Management for 2011-12 and in 2009-10 served as co-chair of the Forum's Global Agenda Council on Leadership and Innovation for Reducing Risks from Natural Disasters. He is a Fellow of the American Association for the Advancement of Science and a Distinguished Fellow of the Society for Risk Analysis, which honored him with a Distinguished Achievement Award in 2001. Dr Kunreuther also received the 2015 Shin Research Excellence Award from the Geneva Association and the International Insurance Society (IIS), in recognition of his work on the role of public-private partnerships in mitigating and managing risks. Mark Pauly is the Bendheim Professor in the Department of Health Care Management at the Wharton School of the University of Pennsylvania. One of the leading health economists of the United States, he is a former commissioner on the Physician Payment Commission and is a co-editor-in-chief of the *International Journal of Health Care Finance and Economics* and an associate editor of the *Journal of Risk and Uncertainty*. Professor Pauly has served on Institute of Medicine panels on public accountability for health insurers under Medicare and on improving the financing of vaccines. He is a former member of the advisory committee to the Agency for Health Care Research and Quality and the Medicare Technical Advisory Panel. Stacey McMorow is a research associate in the Health Policy Center at the Urban Institute, Washington, DC. She is currently leading a study of the effects of increased federal funding for community health centers on access to care for low-income individuals and has analyzed the potential impacts of the Affordable Care Act on small employers, individuals and families. Dr McMorow's PhD dissertation at the University of Pennsylvania explored the market-level effects of health insurance, specifically examining the impact of a large uninsured

population on the availability of specialized hospital services as well as on utilization and outcomes for Medicare beneficiaries.