



INSURANCE ECONOMICS
(VERSICHERUNGSÖKONOMIE)

Prof. Harris SCHLESINGER
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Sprechstunde: Di. 10.00 – 11.00 Uhr
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This course develops some fundamental concepts in insurance economics and insurance management. The goal is to create a solid foundation for understanding the basics of the theory and practice of insurance.

TENTATIVE OUTLINE

1. Insurance Economics: An Overview
 - Risk
 - Insurance in the Economy
 - Insurance and Economics
2. Expected Utility and Risk Aversion
 - Bernoulli and Risk
 - Preference Functionals and Expected Utility
 - Measures of Risk Aversion and Pratt's Theorem
3. Insurance Demand
 - Mossin's Theorem
 - Comparative Statics
 - Default Risk
 - Nonexpected Utility Models
4. Deductible Insurance Contracts
 - Optimal Levels of Coverage
 - Optimality of the Deductible Contract
5. Reinsurance and Alternative Risk Transfer
 - Reinsurance Basics
 - ART
 - Catastrophic Risks
 - Terrorism Risk
6. Asymmetric Information
 - Adverse Selection
 - Ethical Issues (Genetic Testing)
 - Moral Hazard
7. Insurance Supply
 - Insurance Pricing Basics
 - Insurance Contracts
8. Insurance Supply
 - Insurer Operations
 - Accounting Basics
 - Regulation of Insurers
9. Optional Current Topics

References:

There is no required text for this course. The three books below provide helpful reading materials.

Harrington, S. and G. Niehaus (1999), *Risk Management and Insurance*, McGraw-Hill, ISBN 0-256-21018-7.

Outreville, J.-F. (1998), *Theory and Practice of Insurance*, Kluwer, ISBN 0-7923-9996-X

Zweifel, P. and R. Eisen, *Versicherungsökonomie*, Springer, ISBN 3-540-67116-1

There will be some additional reading materials handed out during class.

Additional readings also can be found via the link to my web page at:

<http://www.cba.ua.edu/~hschlesi>

An excellent set of notes on most of the same topics as this class can be found at:

<http://gsbwww.uchicago.edu/fac/christopher.culp/teaching/Bern/Bern.htm>

Of course, the web also offers many other links. One of the best for US-based insurance news and information is

<http://info.insure.com>

Also, see

<http://www.versicherungen.de/>

for basic information and current news in German.

Information on Reinsurance and Risk Management can be found under the “research and publications” heading at:

<http://www.swissre.ch>

Prof. Schlesinger’s homepage can be found at <http://www.cba.ua.edu/personnel/HarrisSchlesinger.html>