

Accepted Manuscript

Title: Health Insurance Choice and Risk Preferences under Cumulative Prospect Theory – An Experiment

Authors: Nadja Kairies-Schwarz, Johanna Kokot, Markus Vomhof, Jens Weßling



PII: S0167-2681(17)30071-9
DOI: <http://dx.doi.org/doi:10.1016/j.jebo.2017.03.012>
Reference: JEBO 4006

To appear in: *Journal of Economic Behavior & Organization*

Received date: 9-5-2016
Revised date: 11-3-2017
Accepted date: 15-3-2017

Please cite this article as: Kairies-Schwarz, Nadja, Kokot, Johanna, Vomhof, Markus, Weßling, Jens, Health Insurance Choice and Risk Preferences under Cumulative Prospect Theory – An Experiment. *Journal of Economic Behavior and Organization* <http://dx.doi.org/10.1016/j.jebo.2017.03.012>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Health Insurance Choice and Risk Preferences under Cumulative Prospect Theory - An Experiment

Nadja Kairies-Schwarz^{*&}

Johanna Kokot^{*}

Markus Vomhof⁺

Jens Weßling^{*}

^{*}University of Duisburg-Essen, Faculty of Economics and Business Administration & CINCH (Competent in Competition and Health), Berliner Platz 6-8, 45127 Essen, Germany; email, nadja.kairies@ibes.uni-due.de (corresponding author), johanna.kokot@ibes.uni-due.de, jens.wessling@wiwinf.uni-due.de.

⁺Heinrich Heine University of Düsseldorf, Institute for Health Services research and Health Economics, Faculty of Medicine, Moorenstraße 5, 40225 Düsseldorf, markus.vomhof@uni-duesseldorf.de.

[&]We thank Jeannette Brosig-Koch, Stefan Felder, William Greene, Glenn Harrison, Helena Szrek, Paul Slovic, Chris Starmer, Hendrik Schmitz, Wendelin Schnedler, Jan Kleibrink, Franziska Brendel, and Lisa Einhaus for valuable comments. Financial support provided by the Deutsche Forschungsgemeinschaft (German Research Foundation FOR-655) and the Bundesministerium für Bildung und Forschung (Federal Ministry of Education and Research) is gratefully acknowledged.

Highlights

- Analysis of how consumers choose insurance contracts when using a measure of decision quality based on individual risk preferences.
- We allow for different latent decision making theories, i.e. Cumulative Prospect Theory and Expected Utility Theory, and find that the vast majority are Cumulative Prospect Theory types.
- Only about 14% of all participants show low decision quality.
- One explanation for low decision quality might be the application of heuristics.

Abstract:

We investigate how consumers choose insurance contracts when using a measure of decision quality based on individual risk preferences. For this, we use a laboratory experiment with a sequential design. First, subjects face insurance choices. Then, we elicit risk preferences. Allowing for different latent decision making theories, i.e. Cumulative Prospect Theory and Expected Utility Theory, we find that the vast majority are Cumulative Prospect Theory types.

Download English Version:

<https://daneshyari.com/en/article/5034572>

Download Persian Version:

<https://daneshyari.com/article/5034572>

[Daneshyari.com](https://daneshyari.com)