

Econ 155: Insurance Economics, Winter 2008

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Class: TR 9:30-10:45 AM in BUCHN 1940

Office Hours: TR 2-3 PM

INTRODUCTION

There are many kinds of uncertainty in life—Will I get a raise, or will I get fired? Will I get sick and have to go to a doctor this year? Will I get in a car accident and have to fix my car? Insurance is a way that we cope with the uncertainties in life. Insurance can also lead to unintended consequences: Does medical insurance lead to overconsumption of medical goods and services? Does car insurance lead to riskier driving habits? Am I more likely to build a house in a flood plain if I know I can insure it against floods? This course first develops a basic toolkit for understanding these circumstances, choices and outcomes. It then takes this toolkit to look at specific insurance markets, such as medical insurance, life insurance and car insurance. A student who successfully completes this course will (a) be competent with the mathematical tools economists use to quantify risk, (b) use economic theory to quantify how much a household values insurance, given the risk it faces, and (c) explain the ways that insurance markets may succeed or fail at providing efficient outcomes.

COURSE READINGS

Readings for the course will be made available on the course web site.

CLASS POLICIES

I hold two hours of office hours a week so that students have ample opportunity to ask questions about the course material and administration. I may also be available other times if you have a scheduling conflict with office hours.

Otherwise, the best way to contact me regarding class administration is via the e-mail address listed above. If you have a question about the course material, you should come to office hours.

Familiarity and comfort with calculus will make this course easier. You do not need to be good at calculus to succeed, but knowledge of the core concepts (derivatives, e.g.) will increase your likelihood of success.

Make-up exams will not be made available for students unable to make the listed date. If you are unable to take an exam on the date listed, contact the instructor as soon as the conflict is discovered.

Per the university's policy on academic conduct, all academic dishonesty, such as plagiarism and other forms of cheating, will be strictly policed and be met with disciplinary actions.

Students with disabilities will be accorded academic accommodations. If you have a disability, let the instructor know at the beginning of the semester. Accommodations will be made through the Disabled Students Program at UC-SB.

Quizzes will not be accepted after their due date without prior approval. All submitted work must be either typed or legible.

Attendance is not required. However, any student who hopes to do well in this class should expect to attend every class, alert and ready to learn.

COURSE OUTLINE

Date	Topic	Date	Topic
January 8	Introduction	12	Exam 1
10	Probability	14	Life Insurance
15	Expected Utility	19	"
17	"	21	Car Insurance
22	Insurable Interest	26	"
24	"	28	Corporate Insurance
29	Medical Insurance	March 4	Exam 2
31	"	6	Bankruptcy
February 5	"	11	Wealth Redistribution
7	"	13	Review

ASSESSMENT

A student's numerical grade is determined by his or her performance on five take-home quizzes (5% each), two exams (15% each), one final exam (30% percent), and a short writing assignment (15%). The dates for the exams and quizzes are listed in the course outline above. The short writing assignment is to be under 1,000 words. It will be assigned before Thanksgiving break, and will be due the last day of class.