Séminaire Décision et Rationalité

Vendredi 29 février 2008 de 16h à 18h
dans la salle H020 des HEC (1, rue de la Libération, 78351 Jouy-en-Josas)

Peter WAKKER (Erasmus University, Rotterdam)
donnera une présentation intitulée

Improving Rational Insurance Decisions by Providing Clients with Risk Information
(travail en collaboration avec Irma Machielse & Danielle Timmermans)

Résumé:

This lecture shows how the provision of statistical information about risks ("reduction of ambiguity") influences risk attitudes and decisions. Our analysis leans heavily on the findings of prospect theory about attitudes towards risk and ambiguity. It was part of a consultancy for a health insurance company.

BACKGROUND. In the Medicare Part D program for elderly introduced in the US on January 1, 2006, private insurance companies and health maintenance organizations (HMOs) have to compete to offer supplemental insurance. Clients now face a decision about the level of deductible to choose and about the possible buying of supplemental insurance. Thus, Winter et al. (PNAS, 2006) wrote:

If the market component of Medicare Part D is to be successful, in the sense that it provides choices that consumers want, and achieves the efficiencies it seeks, it will probably be necessary for Medicare to expand its effort to reach all consumers and provide them with information and assistance in making wise choices. If elders are to be given sound advice on the merits of enrollment and alternative plans, community-based, privately financed advocacy organizations are likely to have to take the initiative. At present, even the most basic information on transition probabilities for pharmacy bills and health conditions that is needed for careful calculation of the value of insurance plans is not publicly available. (pp. 7933-7934).
In the Netherlands, the health insurance company "Zorg & Zekerheid" initiated a study into the needs for statistical information of its clients.

PURPOSE: Investigate if various forms of risk-information improve rational decisions and customer satisfaction.

METHOD: The willingness to take supplemental insurance (WTT) was measured from N=476 customers before and after the receipt of risk-information. Various characteristics, such as degree of risk aversion, were measured. Descriptive and psychological results will be reported elsewhere (Timmermans et al., in preparation). Here we analyse normative implications, i.e. to what extent do various forms of information improve rational decisions and social welfare.

RESULTS:
(1) Information about individual expenses, specified for various health services, had most effect.
(2) Not surprisingly, risk averse clients want more insurance than risk seeking clients.
(3) Surprisingly, risk information enhances the WTT among risk averse clients and decreases it among risk seeking clients. This is opposite to regression to the mean.
(4) Customer satisfaction was improved.
(5) Risk information increases the WTT among clients with high expenses and decreases it among clients with low expenses (adverse selection). DISCUSSION: (3) and (4) are normatively desirable. (5) may be desirable from the client's individual perspective, but is unwarranted from the societal perspective.

CONCLUSION: The decision whether or not to provide risk information requires a tradeoff between (5) versus (3), (4), and another advantage: reduction of health expenses due to people's increased awareness.

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