The analysis of insurers with different risk attitudes

Veronika Varga

Corvinus University of Budapest

The usual market form of an insurance market is oligopoly, and the firms decide on prices. Thus we study a Bertrand oligopoly on insurance markets in cases with different risk attitudes. On the product market in the equilibrium of a symmetric Bertrand oligopoly, the firms have zero profit. But on an insurance market the payments are uncertain, for which we show three types of utility functions with different risk attitudes. One could see that the exponential utility function, which has constant risk aversion (CARA) is similar to the product market case. Whereas in the other two cases if we have a proper or an improper DARA (decreasing absolute risk aversion) attitude, insurers can reach some extra utility.