THE LAZARIDIS SCHOOL OF BUSINESS AND ECONOMICS
THE MS2DISCOVERY INTERDISCIPLINARY RESEARCH INSTITUTE

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# Guaranteed Renewable Insurance Under Demand Uncertainty

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Guaranteed renewability is a prominent feature in health and life insurance markets in a number of countries. It is generally thought to be a way for individuals to insure themselves against reclassification risk. We investigate how the presence of unpredictable fluctuations in demand for life insurance over an individual's life-time (1) affects the pricing and structure of such contracts and (2) can compromise the effectiveness of guaranteed renewability to achieve the goal of insuring against reclassification risk. We find that spot markets for insurance deliver ex post efficient allocations but are not ex ante efficient. Introduction of guaranteed renewable insurance contracts destroys ex post efficiency, but nevertheless improves overall welfare from an ex ante perspective.

Michael Hoy has been a member of the Department of Economics and Finance at the University of Guelph since 1985. He received his B.Math from the University of Waterloo in 1975, an M.A. (Economics) from the University of Guelph in 1975, and a Ph.D. from the London School of Economics in 1982. His research topics include:

1. Effect of genetic testing on life and health insurance markets.
2. Valuation of genetic information for improved healthcare strategies.
3. Measurement of inequality, poverty, and discrimination.
4. Understanding the role of gender and peer effects in university participation.

This event is organized jointly by the MS2Discovery Institute and the Laurier Department of Economics at the Lazaridis School of Business & Economics.

Contact at the MS2Discovery Research Institute: Maria Gallego (Host of the speaker, Tecton 8: Econometrics and Quantitative Approaches to Economics, Business and Political Science

**Refreshments will be provided**

## October 28, 2016

**11:30am | Location: LH2064**

**The MS2Discovery Seminar Series: www.ms2discovery.wlu.ca/seminar**
Wilfrid Laurier University, 75 University Avenue West, Waterloo

This event is hosted by the MS2Discovery Interdisciplinary Research Institute
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