U | U

Risk Loving

Risk Neutral

Y | Y

U | U

Risk Averse | Risk Loving

Risk Averse

Risk Loving

Y | Y

4. Risk and Insurance

recall σ_y is the measure of the the dispersion around the average income E(Y). Below E(Y) is 20,000 and σ_y is marked off by the dashed lines and is about 15,000.

A. E(Y) and E(U) with and without insurance