

Do Individuals have Consistent Risk Preferences across Domains?

Evidence from the Japanese Insurance Market

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Abstract

Because the degree of risk aversion plays an important role in analyzing decision making under risk and uncertainty, it is essential to confirm whether the risk aversion parameter estimated in a certain situation, also called a “domain,” can be generalized to other situations. By using micro-level data on the Japanese population, we compare respondents’ risk preferences related to their insurance choices with those inferred from their general risk aversion. We find that individuals’ risk aversion is not consistent across domains.

Keywords: risk preference, domain, insurance choices

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